Managing for Growth and Inclusion

Four Levels of Capabilities and a 12 Steps Program

Johanna Michaela Weber
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Johanna Michaela Weber
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DEDICATION AND ACKNOWLEDGMENTS

This report is dedicated to Jan Walliser, late Vice President for Equitable Growth, Finance, and Institutions [EFI] who cared deeply about the World Bank solving poverty and about the poor.

The author of the report is Johanna Michaela Weber (Private Sector Development Specialist in the Finance, Competitiveness, and Innovation [FCI] Global Practice within EFI) with general support of José Ernesto López Córdova (Practice Manager, FCI).

The report was inspired by the artisan entrepreneurs in the developing countries and by the aggregator entrepreneurs who partner with them. The report was made possible through generous contributions of time for the surveys and during interviews with representatives of five fashion and home accessories companies:

- Emily Green, Founder of Emilime, United States; Adrienne Chaillé, former Marketing and Community Development Director, Emilime, Peru.
- Vidano Kernem, Secretary General, Artisans d'Angkor, Cambodia.
- Gwendolyn Floyd, Co-Founder, and Catherine Mahugu, Co-Founder, Soko, Kenya.
- Sergey Gagloev, Consultant and Sandra Wanduragala, Founder and CEO, Selyn, Sri Lanka.
- Dan Driscoll, Founder and CEO, Anou, Morocco.

Lia Mamniashvili (FCI, World Bank) assisted in developing the firm surveys and conducted five out of six interviews. Imtiaz Ahmad Sheikh (FCI, World Bank) was responsible for the original design of all tables. The report was peer reviewed by World Bank Group staff Vincent Palmade (Lead Economist, IFC, Country Economics and Engagement, Economics and Private Sector Vice Presidency); Toshiya Masuoka (Senior Advisor, IFC, Inclusive Business, Economics and Private Sector Vice Presidency); and Vinayak Narayan Ghatate (Senior Rural Development Specialist, Global Practice Agriculture and Rural Development, South Asia). Reviewers of an earlier version of the paper are Damien Shiels, Ifeyinwa Uchenna Onugha, and Emiliano Duch Navarro (all FCI). Monika Steinberger, Director at Aid to Artisans, served as an external reviewer.

The General Services Department of the World Bank designed the graphs in chapter 1. Overall design of the report was the responsibility of Francis Gagnon from Voila Information Design. The report was edited by Publications Professionals LLC.

The design and execution of the surveys and the report was financed by the FIAS program and development partners. The FIAS FY17–21 strategy supports programs and diagnostics that improve the business environment, expand market opportunities, and strengthen firm-level competitiveness with the cross-cutting themes of gender and inclusion; transparency, political economy, and sustainability of reforms; green competitiveness; and targeting of high-growth businesses.
<table>
<thead>
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<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>AFD</td>
<td>Agence Française de Développement (French Agency for International Development)</td>
</tr>
<tr>
<td>CEO</td>
<td>chief executive officer</td>
</tr>
<tr>
<td>EU</td>
<td>European Union</td>
</tr>
<tr>
<td>GVC</td>
<td>global value chain</td>
</tr>
<tr>
<td>HR</td>
<td>human resources</td>
</tr>
<tr>
<td>ICT</td>
<td>information and communication technology</td>
</tr>
<tr>
<td>IT</td>
<td>Information Technology</td>
</tr>
<tr>
<td>PSMP</td>
<td>participatory strategic management process</td>
</tr>
<tr>
<td>LTD</td>
<td>limited company</td>
</tr>
<tr>
<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
</tr>
<tr>
<td>QC</td>
<td>quality control</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>research and development</td>
</tr>
<tr>
<td>TA</td>
<td>technical assistance</td>
</tr>
<tr>
<td>TED</td>
<td>Technology, Education, Design</td>
</tr>
<tr>
<td>TIPS</td>
<td>Technology Initiative for the Private Sector</td>
</tr>
<tr>
<td>WBG</td>
<td>World Bank Group</td>
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<tr>
<td>WTFO</td>
<td>World Fair Trade Organization</td>
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<tr>
<td>USAID</td>
<td>United States Agency for International Development</td>
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<tr>
<td>VC</td>
<td>value chain</td>
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**EXECUTIVE SUMMARY**

**Objective**

This report’s objective is to analyze the execution of value chain functions and strategic management process functions (business models) of five artisan-based fashion and home accessories companies in five continents and—through this analysis—to examine patterns for inclusive firm growth. The research hypothesis is that the firms are highly likely to sustain growth if the firms (a) fulfill high margins capturing value chain (VC) functions; (b) apply strategic management functions in a participatory, inclusive way; (c) do so while responding to important industry trends and d) operate in a minimally acceptable business and digital environment. The selected artisan-based fashion and home accessories companies are Soko in Kenya and the United States, Artisans d’Angkor in Cambodia, Emilime in Peru and the United States, Selyn in Sri Lanka, and Anou in Morocco. For this report’s data collection, a two-stage process was used. In the first stage, artisan aggregator companies¹ were selected on two criteria: the companies (a) had in their associated supplier network at least 150 artisans or microentrepreneurs producing in developing countries and (b) were trading internationally. In the second stage, the team administered a survey to the selected companies in 2016 and analyzed the results. Sales growth figures were collected in 2018.

**Report Structure**

Chapter 1 introduces (a) the value chain functions in the fashion and home accessories industry, (b) the trends affecting the fashion and home accessories industry, and (c) the model of the participatory strategic management process (PSMP). Chapter 2 summarizes the different elements of the five firms’ business models that have led to rapid or to sustained growth in sales and jobs creation. It also looks at the business environment issues necessary for firm growth. In chapter 3, the report analyzes in detail how each firm executes the value chain and strategic management functions such as input, design, logistics, production, finance, marketing, leadership, and human resources—all in a participatory, inclusive way.

**The Industry Has a Huge Potential for Growth and for Job Generation for Female Producers and Female Entrepreneurs**

The analysis shows that the aggregator firms have achieved growth by (a) blending tradi-
tional skills with modern, market-oriented design, (b) fulfilling management functions in a participatory way, and (c) using socially and environmentally sustainable production processes and input. It is notable that three of the five firms were founded by females or are owned by females, and female participation among the artisans working in or with the selected firms is 80 percent.\(^2\) The firms’ artisans include women with low formal education and women from marginalized communities.\(^3\) The firms’ network size ranges from 150 to 2,500 artisans, and female participation among artisans ranges from 60 to 97 percent (see table 2.6, later in this report). With high growth for the aggregator and the micro enterprises (see table 2.8) the artisan-based fashion and home accessories market has the potential to be a large job-generating industry. Global trends also move towards purchasing that is linked to social and environmental impact of production. Communication with customers about the economic effects of the micro enterprises’ integration into global value chains is therefore a competitive asset for the aggregator firms and an impetus for the micro enterprise to innovate and grow itself.

**Firm-Level Digital Solutions Are Disrupting the Industry and Bring Microentrepreneurs into the Global Value Chain**

Two of the five examined, Soko and Anou, firms use proprietary apps that are disrupting the industry by organizing production and quality control of a production network of up to 2,500 decentralized artisans, thereby increasing productivity. Proprietary software in each of the two firms is facilitating the organization, operational planning, operational control, and payments of artisanal production quickly and decidedly.

**Artisans’ Participation in Management and Value Chain Functions, also through ICT, Affects Firm Growth**

Soko, Emilime, and Anou are frontier firms in upskilling artisans, teaching artisan leaders design thinking and quality control skills, and having the artisan leaders participate in other management functions, such as organization, training and leadership. Soko and Anou are providing basic ICT skills to their artisans to effectively use their proprietary company apps. The ICT skills and the use of the apps enable artisans to continuously participate in value chains and become growth entrepreneurs. With the continuously acquired skills, many of the producers are developing into growth micro and small entrepreneurs or active members of their cooperative or production group. Anou, among the case study firms, is the most participatory firm in that the artisans own the cooperative. That is, the artisans occupy all seven seats on the board, which is complemented by the executive director and founder of Anou. Anou is also among the fastest-growing firms. Artisans d’Angkor is providing continuous technical training to its employees and all firms deliver additional services to the artisans, including life skills.

**Sources of Finance for Aggregator Firms Has Been Varied, and Aggregators Are Filling the Producers’ Finance Gaps**

The analysis showed that the financing function is crucial for the growth of the aggregator firms and for the respective artisan micro-enterprises. Artisans d’Angkor financed its growth through a government-backed loan at start-up; Emilime, Selyn, and Anou used retained earnings to finance their growth at company start-up. Selyn is financing its operations now by bank loans. Soko used some grant funds at start-up and beginning with its second year of operation has been financed by equity capital. Preparing products for international customers requires operating capital, which most artisans do not have. The analysis shows that aggregator firms are filling this gap.

\(^2\) Weighted by the selected companies’ size of artisan networks.

\(^3\) The share of 80 percent female participation with low formal education and from marginalized communities has been confirmed in a subsequent World Bank Group survey of 40 artisan aggregator firms using the VC and PSMP frameworks. The 40 artisan aggregator firms that were surveyed represent 25,000 artisans in 35 emerging countries. The latter survey was based on the current study and its methodology, and survey results will be published in a forthcoming World Bank Group report.
by providing finance to their artisan producers through prefinancing input materials or prefinancing investments.

**Favorable Business and Digital Environment**

**Issues Cluster around ICT access, Affordable Mobile Phone Rates, and Women’s Right to Work Outside the Home, as Well as Other Regulations or Customs Affecting Women**

Companies emphasize as critical business environment issues the following: cell phone affordability and internet connectivity (see chapter 3). Women’s right to work outside the home and other regulations or customs that affect women and minorities’ abilities to work or be an entrepreneur were rated as other very positive drivers for firm growth. Business competitions, publicizing prices, and awards—as well as social media attention—were also rated as very important.

Also mentioned as positively affecting firm growth were (a) government or donor assistance to provide technical skills at the start of the company, (b) programs—even small—for the firm’s exposure to external markets, and (c) certification (fair-trade and others). Other important business environment areas were the foreign currency earning regime and the import and export regulations.

**Unfavorable Business Environment**

**Issues Vary: Lack of Access to Finance for Artisans, Customs Procedures, Accrediting Firms’ Artisan Training, and Prior and Current Conflicts**

Issues negatively affecting business growth were (a) lack of access to credit for artisans, (b) lack of accreditation for the skills training provided by the aggregator firms, (c) customs processing, (d) lack of governments’ assistance for product certification, and (e) current and prior political conflicts in the respective countries. Several firms raised the issue of lack of access to electricity, and one company raised high electricity prices as a constraint to firm growth.

**(High)-Growth Firms Create Jobs for Marginalized Microentrepreneurs, Build Firm-Level Human Capital, and Are Disruptors**

Two firms show high growth with 83 and 93 percent of average sales growth for the last three years and annualized artisan and employees’ growth since inception of 17 to 152 percent. The case study firms have adopted many if not all of fast-fashion firms’ attributes: (a) selling their own brand products, (b) having continuous variation in product designs based on consumer trends, (c) encouraging producers’ participation in the design process, (d) having a central quality control function, and (e) using ICT and data that contribute to smart production and efficient logistics. A differentiating element of the case study firms compared to the fast fashion firms is the ethical value (socially and environmentally sustainable value), a value created beyond the economic value.

The two more mature firms amongst the case study firms have experienced slowing or negative growth over the past years. These firms could experiment with some of the design, human resources, operational, and information and communication technology (ICT) tools the way Soko, Anou, and Emilime have used their human capital growth tools in a disrupting way with their respective business models.

**Satisfactory Ratings in Four Levels of Capabilities Can Produce (High)-Growth Firms**

The present research shows that complementary capabilities at four levels—firm, business and digital environment and the innovation ecosystem, global value chain (GVC), and financial solutions—can “produce” inclusive (high)-growth firms. Retailers, governments, donors, financial solutions providers, or other industry ecosystem participants may use this framework to analyze and to develop the aggregator firms, which may be at different stages of development. Whether the objective is to increase firm performance, to aggregate small and micro firms into a larger firm, or to develop suppliers for larger firms in an inclu-
sive manner, the underlying analytical tools can be useful. The 12 key capabilities at the firm level, GVC level, and financial solutions level have been distilled from the selected case study firms. On the business environment and innovation ecosystem level, the 12 steps policy measures could be implemented.

**Tools Can Aid Diagnostic and Firm Development**

The survey and its analysis in terms of level of fulfillment of participatory strategic management process and value chain functions, as well as the trend analysis for the specific industry in competitive markets can be used as diagnostic tools for inclusive businesses. The ensuing firm analysis and the current case study results can then also be used to develop any prospective aggregator firms when gaps in certain value chain or management functions have been identified. The tools have already been used in the subsequent World Bank Group’s quantitative industry research for an International Finance Corporation–World Bank supplier development project and a forthcoming publication.

**Further Research on Poverty Impact and Explore the Weights of the Four Levels of Capabilities**

The report suggests further research and research partnerships into more in-depth aspects of the value chain, firm management, its poverty effects, and the interaction of the model and innovation. Those research areas are (a) the impact of the integration into GVC on the artisan microentrepreneur’s income and investments and on the respective communities; (b) different models to include blockchain technology for trade financing or aggregators, given that data-driven and distributed production as well as traceability and sustainability for retailers are trends to stay and to expand; (c) measurements of the firms’ management, GVC, and financial solutions’ capabilities, including the capability to use data and ICT and to upskill microenterprises in different cultural contexts and with majority women as producers and entrepreneurs; (d) minimal threshold of the business and digital environment and of the innovation ecosystem for the emergence of aggregator export firms and of distributed manufacturing; and lastly (e) the relative importance of the four capabilities for firm productivity, firm growth, human capital development, and the innovation transfers in the industry and to other industries within the country and globally.
STUDY OBJECTIVE, METHODOLOGY, AND ANALYTICAL TOOLS

Introduction

Fashion and home accessories items produced by artisans in 2011 were estimated at a global export value of more than US$36 billion of which US$10.7 billion was from developing countries, US$23.4 billion from transition countries, and US$0.2 billion from developed countries (UNCTAD 2016). In the developing world, artisan activities are estimated to be one of the biggest employers after agriculture and are generating additional or sole income for rural populations, especially for women. An example, the 2011 Indian census counts 7 million artisans, of which 57 percent are female; unofficial estimates are 200 million artisans in India. In 2011, Indian artisans generated US$4.5 billion of exports. In the past, many donor projects have not focused on developing value chain integration and have therefore not been effective. Consequently, artisans have remained for the large part in the informal sector.

Artisans’ skills and economic potential in emerging economies countries can be lifted out of informal, low-innovation capacity and dependency on intermediaries. In developed economies, artisans or craftswomen and craftsmen add value to high fashion and home décor with the label “handmade” often being a key element of high fashion and luxury (Rabkin 2017). Yet the image, quality, and market access of most artisan enterprises in the developing countries are still not on par with those of craftspeople in Europe. Artisans in developing countries, often uneducated females, work in remote locations and in disenfranchised communities with few business skills, little to no market and services’ access, and no financial means necessary to create new product designs and to boost productivity. Sales, innovation in management and production systems, and skills development are at a low level.

Over the past years, consumers and global retailers have increasingly been interested in buying and sourcing apparel and fashion and

4. The share of creative services such as interior design services from the developing economies is still minimal. Almost all services exported are generated by developed economies (UNCTAD 2016).
5. See the website of the Development Commissioner (Handicrafts), Ministry of Textiles, Government of India, http://handicrafts.nic.in/Page.aspx?MID=BOIISFUynpl5RZU8nW1g=--.
6. India’s handloom industry is estimated at 4 million artisans of which 78 percent are women and 28.2 percent are from marginalized groups. India’s handicraft industry is estimated at 7 million artisans, with 47 percent being women and 28.3 percent from marginalized groups.
home accessories from sustainable sources, including artisans (IKEA 2016a). More and more private sector firms are concerned with and committed to trading in sustainable value chains. IKEA, for example, is committed to doubling its sourcing from India from €300 million to €600 million in four years (2016–2020); part of that is sourced from artisans group such as Rangsutra and Industree (IKEA 2016b). At the same time, the company is sourcing all its globally sold fabrics from sustainable sourced cotton (The Hindu 2016; IKEA 2017). Many other companies such as Nordstrom and Muji and smaller retail brands are increasing sourcing from artisans and from other sustainable sources.

Objective of the Report
The objective of this report is to analyze how five growth companies of artisan-based fashion and home accessories located in five continents measure up to an analytical framework—that is, the execution of value chain functions and participatory strategic management process functions (business models) in a dynamic industry environment. This analysis may reveal patterns within these frameworks associated with growth of inclusive firms. The research hypothesis is that the firms are highly likely to sustain growth if the firms (a) fulfill high margins capturing value chain (VC) functions; (b) apply strategic management functions in a participatory, inclusive way; (c) do so while responding to industry trends and d) take advantage of aspects of the business and digital environment.

The selected artisan-based, inclusive fashion and home accessories companies, also called aggregators, are Soko in Kenya and the United States, Artisans d’Angkor in Cambodia, Emilime in Peru and the United States, Selyn in Sri Lanka, and Anou in Morocco. Those firms aggregate marginalized, often remote artisans who have very low education and who have no access to other employment. With this analysis and the analytical frameworks that are used here, the report intends to provide tools for enterprise development programs and financing instruments in the World Bank Group, focusing on jobs that may pave the way to formal entrepreneurship or formal employment. The knowledge generated here can further enhance programs of other development partners, investors and governments in client countries. An indirect effect is to reverse the image of artisan firms as small-scale, informal firms that are unable to respond to market forces and trends.

Methodology and Approach
The analytical frameworks used are global value chains and participatory strategic management process functions in a dynamic industry environment. This current study examines how the firms execute the functions derived from those analytical frameworks. Value chain functions, the network of value chains (global value chains), and the participatory strategic management process are business administration sciences concepts used in the business practice of firms. The influence of the business and digital environment as well as aspects of the innovation ecosystem on firm growth was a secondary analysis and solely based on the firms’ perceptions.

Chapter 1 introduces the value chain functions and network of value chains. The report will analyze which value chain functions the selected firms are fulfilling and to what degree the examined firms are internalizing and adapting to industry trends. The dynamic industry environment can be partly analyzed by benchmarking characteristics of the researched firms to characteristics of firms in growth industry segments in the same or similar industry. Chapter 1 then introduces industry trends for the fashion and home accessories industry. Finally, chapter 1 introduces the participatory strategic management process. Chapter 2 examines which value-adding activities the selected companies perform and how they have been able to capture margins while responding to industry trends in competitive markets and the business environment conditions. Chapter 3 describes in detail the different case studies.

7. Transitional jobs are jobs that are nonfarm jobs for people with little formal education.
The firm selection and data collection used a two-stage process. In the first stage, artisans' cooperatives and enterprises around the world were screened, and the author made a nonrepresentative selection of five companies in five World Bank Group regions to be included in the study. The selection criteria were that the firms (a) had in their supplier network at least 150 artisans or microentrepreneurs producing in developing countries and (b) were trading internationally. In the second stage, a survey was developed and administered to the five founders or companies' management teams using closed and open-ended questions. The survey was conducted using phone interviews. Growth data and business and digital environment data was collected in April 2018.

Creation of Value in Global Value Chains in the Fashion and Home Accessories Industries

The global value chain (GVC) actors in the fashion and home accessories industries are varied and include companies from large suppliers, producers, and retailers to small producers (small factories, workshops, and artisans) and retailers in developed and developing countries. Examples of large retailers in the home accessories industry are companies such as IKEA, Crate and Barrel, Muji, and West Elm. Large retailers in the fashion accessories industry are Anthropologie, Nordstrom, and others.

This study will analyze which value chain functions the case study firms are executing with the leading questions being (a) where are the firms creating value (World Bank Group 2015a), (b) are the firms responding well to the industry trends and do they have capabilities to respond to competitive industry forces, and (c) are the firms able to grow? Primary value chain functions include design and input logistics, operations, marketing and distribution, output logistics, and client services (see figure 1.1). Secondary or supporting value chain functions such as business infrastructure, human resources, technological development, and input (see figure 1.1) overlap in part with the PSMP functions in the PSMP framework (see also figure 1.3 later).

The GVC functions in the fashion and home accessories are fulfilled by different actors. The main GVC functions and actors in the fashion industry are

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8. Recent World Bank Group research summarizes several studies and concludes that “Relative to their local counterparts, firms with international exposure (measured through exports or foreign ownership) tend to be larger, more productive, better managed, pay higher wages, and have higher rates of technology adoption. This occurs through various channels: firms that participate in global value chains benefit directly via the transfer of technological, managerial and foreign market related knowledge through capital investment as well as hiring of foreign managers.” In: Grover Goswami et al (2018), p. 92

9. IKEA—headquartered in the United States—has 14,000 employees, revenues of US$37.3 billion (2017), and 370 stores in 47 countries, of which 70 percent are in Europe. See Forbes, “The World’s Most Valuable Brands,” https://www.forbes.com/powerful-brands/list/#tab:rank; Muji is a Japanese lifestyle retailer owned by Ryohin Keikaku Co. with 403 international (50 percent of which are in China) and 400 Japanese stores, with fiscal year 2017 revenues of US$3 billion (Marlow, 2017). 10. Porter’s five forces summarize the main competitive forces in an industry (Porter 1985).
The network of value chains functions equals the GVC or a “super-network” (Pfeiffer 1994), and firms are staking out their place in the GVC to compete in a dynamic industry. A World Bank Group apparel GVC analysis, which is also relevant to the fashion and home accessories industry, found that the apparel industry has been a buyer-driven industry in which “profits come from combinations of high-value research, design, sales, branding, marketing, and financial services that allow retailers, designers, and marketers to act as strategic brokers in linking overseas factories and traders with product niches in their main consumer markets” (World Bank 2015).

Furthermore, the study found that distribution and retail were high-value functions and established “fast fashion” as a growth segment in the apparel industry. The report found that the production function had low returns, resulting in low-paying factory jobs (see figure 1.2). The analysis in chapter 2 of this report will examine which value-adding activities the selected companies perform and how they have been able to capture margins while responding to industry trends.

11. The fast-fashion industry segment is characterized by smaller orders, shorter lead times, and sophisticated data management in the supply chain. Fast-fashion firms have systems in place to expedite production processes to get new trends to the market quickly and cheaply. Fast-fashion retailers introduce new products multiple times in a single week and have innovated in supply chain management among fashion retailers working intensively with data collected through retail outlets (World Bank 2015).

### Table 1.1: Value Chain Functions for Fashion and Home Accessories Goods

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<thead>
<tr>
<th>Value chain functions</th>
<th>Actors</th>
<th>Activities</th>
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<tbody>
<tr>
<td>Market Research</td>
<td>Market trends analysts</td>
<td>Identify trends in shapes, color, material, and consumer trends in target markets, as well as costumers’ data analysis (feedback, patterns, etc.).</td>
</tr>
<tr>
<td>Design and research and development (R&amp;D)</td>
<td>Designers</td>
<td>Design and develop concept, products and services.</td>
</tr>
<tr>
<td>Input logistics</td>
<td>Suppliers</td>
<td>Contract with local and international raw or intermediary products and services suppliers</td>
</tr>
<tr>
<td>Production</td>
<td>Workers or producers</td>
<td>Produce materials in factories and workshops or with independent artisans (groups).</td>
</tr>
<tr>
<td>Quality control, finishing, pricing, labeling, and packaging</td>
<td>Supervisory or quality control employees of producers and buyers</td>
<td>Check for consistency and subsequent rejection or acceptance; activity is often merged with information technology.</td>
</tr>
<tr>
<td>Logistics</td>
<td>logistics intermediaries</td>
<td>Handle, transport, and store merchandise.</td>
</tr>
<tr>
<td>Buying and merchandising</td>
<td>Merchandisers</td>
<td>Buy for retail stores or for sales through e-commerce stores.</td>
</tr>
<tr>
<td>Retailing, including e-commerce</td>
<td>Retailers</td>
<td>Provide brick and mortar stores and online retail* in local and international markets.</td>
</tr>
<tr>
<td>Client services</td>
<td>Client service representatives</td>
<td>Handle returns, care instructions, customs production, etc.</td>
</tr>
</tbody>
</table>

* Online retailers are also called e-retailers—producers or intermediaries with the capacity to curate, to take payments, to store, and to distribute products.

Source: Author.
Figure 1.2: Distribution of Value Added across the Value Chain Functions

Source: Adjusted from World Bank 2015

**Trends in the Fashion and Home Accessories Industry**

Trends on the demand and supply side in the fashion and home accessories industry and adaptations of firms to those trends determine the characteristics of those firms’ value chains and management processes. The trends determine possible future consumer profiles and technological capabilities, which artisan-based firms can leverage to compete locally or globally. Many of the trends for the fashion and home accessories industry are similar to the apparel industry. They can be categorized as direct, indirect, or mega trends.

**Direct Industry Trends**

- **Design, customer experience, and collaborative design.** Such factors are more and more driving consumer and brand loyalty. Product design and customer experiences are the reason customers repeatedly buy or use certain brands, retailers, and products.\(^{12}\) Customer experience includes the emotional state of customers at and after the decision to purchase and the customer’s alignment with a brand in general. A 2018 study from Juniper Research has found that global retailer spending on artificial intelligence will reach $7.3 billion a year by 2022, up from an estimated $2 billion in 2018, as retailers target new avenues to increase personalization of the customer experience.\(^{13}\) Another tool retailers use to keep brands connected to the different markets is collaborative design (that is, a collaboration between the retailer and designers from target markets). An example is the collaboration between African furniture and home accessories’ designers and IKEA Sweden for IKEA’s first-ever exclusive, all-African collection that will launch in 2019 (De Klee 2017).

- Other examples are when designers work with craftsmen and craftswomen to integrate traditional skills, functionality, customers’ taste, and modern and traditional materials (see case studies in chapter 3.). Wabani is a concrete example where artisans from rural Guyana create what IKEA customers desire for their custom kitchen furniture.\(^{14}\) The most advanced collaborative design is customer co-creation or open innovation, an Industry 4.0 lever to increase the time-to-market value (Löffler and Tschiesner 2013).\(^{15}\)

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\(^{12}\) Steve Jobs, Apple’s co-founder, once said, “Design is a funny word. Some people think that design means how it looks. But of course, if you dig deeper, it’s really how it works” (Stephens 2017).

\(^{13}\) Retailer spending in 2022 will be shared as follows: (a) Customer Service and Sentiment Analytics—54 percent, (b) AI-based Automated Marketing—30 percent, and (c) Demand Forecasting—16 percent (Business Wire 2018).

\(^{14}\) See Wabbani’s website at [http://wabbani.com/](http://wabbani.com/).

\(^{15}\) Industry 4.0 is manufacturing using digital technology, automation, and big data analysis to improve manufacturing processes. The term was coined in
• **Rise of certification, traceability, and sustainable GVCs.** Consumers and final goods producers around the world increasingly demand products and services that are simultaneously functional and good quality, good for the environment, and good for people and the society in the producing country—“the triple bottom line of sustainable growth” (World Bank Group, OECD, and ITC 2016). Governments, international bodies like the Organisation for Economic Co-operation and Development, Group of 20, International Labour Organization, World Bank Group, and private sector are developing their respective policy initiatives, such as “Better works,” the “Better Cotton program,” or certifications like the “Goodweave label” thereby certifying that rugs are produced without child labor or the fair-trade label. Retailers such as West Elm, Nordstrom, IKEA, Costco, or Japanese global lifestyle retailer Muji are buying goods from artisan producers in the fashion and home accessories industry while looking for ways to adhere to environmental, labor, and quality standards, as well as ways to use recycled materials. Blockchain technology is helping elevate the traceability of goods and services (Bessonov 2017; Thomas 2018).

• **Growth market for fashion and home décor goods.** Urbanization and the rise of the middle class and, hence, the real estate sector and the home décor and accessories industry in many developing and emerging countries are pushing up the demand for home products. Middle-class populations and gross domestic product growth expand rapidly, particularly in China, India, and Africa (PwC 2016). The Brookings Institute estimates 65% of the global population will be middle class by 2030 (PWC 2018).

• **Exposure to different cultures through tourism growth and growing markets in emerging countries.** Growth in international and domestic tourism also boosted the global growth of authentic fashion and home accessories products as customers have experienced a higher exposure to different cultures and styles. Although the market for purely indigenous designs is limited, many buyers seek unique functional or decorative products that combine ethnic elements with contemporary designs. At the same time, emerging countries such as India are also a market for ethnic fashion and home accessories. The Indian firm Fabindia shows that artisan-based firms can fill this demand. 17

• **E-commerce growth complementing brick-and-mortar retail.** E-commerce accounts for a large part of the sales growth for many retailers today. For a number of companies, online sales are helping to offset declining sales in the physical store (Deloitte 2016). In China, fashion online retailers such as Alibaba’s women fashion brand Inman is expanding into brick-and-mortar stores (Yuan 2018). The global e-commerce market is expected to grow at a compound annual rate of 17 percent—from $1.3 trillion in 2014 to $2.5 trillion by the end of 2018 (Rogers 2015). Approximately 12 percent of the global goods trade is conducted via international e-commerce, with much of it driven by platforms such as Alibaba, Amazon, eBay, Flipkart, and Rakuten (McKinsey Global Institute 2016). “A competitive advantage that companies gain in navigating both online and offline retail is the access to more consumers and better data about them” (Yuan 2018).

• Yet also fashion bloggers are taking a share of the market. 18 Empirical evidence suggests that companies who use the web extensively for customer engagement grow faster. Micro, small, and medium enterprises in developing countries have also started using the internet to connect to consumers. E-commerce in developing countries is increasing and is expected to further boost

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18. Fashion bloggers either offer links straight from their websites to retailers or identify local retailers who offer the brand products near the global readers.
exports of small and medium enterprises (Suneja 2017).

**Mega Trends**

- **Data analytics, applications, and digitization.** New technologies are permeating people’s personal and professional lives through distributive manufacturing, traffic optimization systems, digital music, film streaming, social media, smart home goods, and smart apparel. Hence the ability to collect, to analyze, and to distribute data as well as to build applications is a crucial element for the success of growth companies (van den Driest, Sthanunanthan, and Weed 2016; Oracle 2017). Internet connectivity is also spreading in developing countries at exponential rates (internet use in Africa grew 9,000 percent between 2000 and 2018, and in Asia it grew 1,643 percent). By blending new data sources with real-time analytics and behavioral inputs, companies are developing new ways of organizing their value chains and of offering innovative services and products (Céspedes 2018).

- **Development of green funds and sustainability in investing.** Financial institutions are responding to pressure and to demand—of millennials and others—to invest sustainably. According to Morgan Stanley’s research, 86 percent of millennials—broadly defined as those born between the early 1980s and 2000—say they are interested in socially responsible investing (Morgan Stanley 2017; Morgan Stanley Institute on Sustainable Development 2015).

Those trends point to the emergence of a segment in the home and fashion accessories industry that could be described as the “ethical fashion” segment. Because this study does not perform an industry segmentation exercise, the emergence of a new segment of ethical fashion may be confirmed through further research (see “Conclusions” in chapter 2). Before moving to the analysis of chapter 2 on how the case study firms are integrating such trends into their vision and operations in a competitive industry environment, the next section briefly describes the PSMP used in analyzing and developing firm capabilities.

**The Participatory Strategic Management Process**

Strategic management is a process, which, if applied, helps firms achieve efficiency and effectiveness in translating their vision by continuously improving their management functions in a dynamic environment. Applying all strategic management functions or processes to a sufficient degree ensures that the firm is using resources efficiently and effectively, and it elevates capabilities in a competitive industry when those functions are fulfilled to a higher degree (Steinmann and Schreyögg 2000). The PSMP also shows a path on how to manage processes and interactions with employees, producers, and clients.

Empirical economists have recently started to confirm this connection between management capabilities and innovation and subsequent productivity by providing comparative quantitative analysis of management practices across countries (Bloom and Van Reenen 2007; Cirera and Maloney 2017). They also found that data confirm firms’ “openness to trade provides incentives to upgrade and presents exposure to new ideas” (Cirera and Maloney 2017, xxii).

Steinmann and Löhrr (1992) introduced the concept of business ethics into the model of strategic management to broaden the company’s objective beyond profit making and to contribute to the public interest (see also Steinmann and Scherer 2008). Their definition of business or corporate ethics is dialogue between the firm and concerned parties, such as the dialogue between management and workers through workers’ representation in the company’s management or the dialogue with parties concerned about the firm’s social and environmental effects. The PSMP expands this participation to other value chain actors, such as government and customers (Weber 2002).

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20. For the industry segmentation methodology, see World Bank 2015.
The strategic management process consists of the three functions: strategic planning, strategic control, and strategic implementation. It also includes the five traditional operational management functions: planning, management, personnel management, organization, and control (see figure 1.3). In this process, Steinmann and Schreyögg (2000) distinguish two levels—the strategic and the operational level. Table 1.2 shows important sample questions for each of the PSMP functions.

**Figure 1.3: Firms’ Participatory Strategic Management Process**

### Table 1.2: Elements of the PSMP and Sample Questions

<table>
<thead>
<tr>
<th>Participatory Strategic Management Process</th>
<th>Application to Fashion Accessories and Home Décor Manufacturers (sample questions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Planning and Vision</td>
<td>What is the vision of the company? What are its goals? Does the company create a brand, or does it produce generic products for a larger retailer? How do the microenterprises affect the environment, and what is the social impact?</td>
</tr>
<tr>
<td>Competitiveness Analysis</td>
<td>How does the company distinguish itself from other producers in the industry? How does it address rivalry with similar firms, and what is the firm's bargaining power relative to suppliers and buyers?</td>
</tr>
<tr>
<td>Strategic Control</td>
<td>Is the firm continuously analyzing emerging product, process, data and network technology trends and competitive forces?</td>
</tr>
<tr>
<td>Strategic Implementation</td>
<td>Are process and product technology integrated? Are operative functions fulfilling the strategic goals? What technology does the aggregator firm use (for products, processes, financing, data generation)?</td>
</tr>
<tr>
<td>Operative Planning</td>
<td>Which resources does the firm need to fulfill its strategic and operative goals?</td>
</tr>
<tr>
<td>Research and development</td>
<td>Who is fulfilling the R&amp;D function?</td>
</tr>
<tr>
<td>Organization and Organization culture</td>
<td>How are production and management organized? Is the company using and integrating IT in management and value creating functions? What is the organization's culture?</td>
</tr>
<tr>
<td>Financial planning and Financial Management</td>
<td>How are the operations and the company financed?</td>
</tr>
<tr>
<td>Human Resources</td>
<td>How does the company recruit and retain workers and suppliers? How does the company integrate the suppliers or network of producers into value chain functions?</td>
</tr>
<tr>
<td>Operative Control</td>
<td>How are the operative goals monitored?</td>
</tr>
<tr>
<td>Participation, Dialogue</td>
<td>What is the dialogue with workers, with the network of suppliers, with buyers, with customers and their respective communities: How is the principle “change of perspective from tangible assets to human assets” applied to the company? How is the network of producers engaged with the company? How are the customers engaged?</td>
</tr>
</tbody>
</table>

*Source: Author’s adaptation of Weber 2002.*

Lean management principles are also part of the PSMP (Pfeiffer 1994). The process principles of lean management are methodological principles: holistic, systematic, integrated, and interdisciplinary. Also included are the principles of attitudes: (a) permanence and consistency, (b) perfection in small things, (c) avoidance of waste, (d) distinction between activities with value growth and activities without value growth (value-adding activity versus nonvalue-creating activity), (e) concentration on core activities, and (f) customer orientation. The substantive principles are as follows:

- Change of perspective from tangible assets to human assets;
- Design of the entire value chain as an integrated super network;
- Integrated consideration of process and product technology.
Those principles are also important when looking at the sustainability goals of industrial production.

The following chapters will examine how the five selected artisan-based fashion and home accessories companies execute PMSP and GVC functions and how that activity contributes to their growth. Those functions are strategic planning; operations (product design, input logistics, and production); leadership, organization, and strategic control; finance; human resources and community engagement (participation); and marketing and output logistics. The different tables in chapter 2 will show the common threads across the GVC and PSMP functions between the case study firms (that is, the minimum management and value-adding processes in place). In some places, the tables will show the differences where firms may upgrade participatory management functions or GVC functions or may use disruptive technology to catch up with the growth companies in the industry (see chapter 2.).
2
Clear Vision Translated into Strategic Planning

All five companies have been established and are led by entrepreneurs with the vision to translate traditional artisan techniques and design into market-ready sustainable products and, at the same time, to build sustainable and dynamic artisans communities (see table 2.1). All surveyed companies offer their international customers good quality, hand-made, and well-designed branded products in a mid-to high-end price range. An important part of all firms’ brands are the product stories—that is, information available to the customer on what are the materials used, what is the provenance of the materials, who is producing the product, what is the environment the artisans are in, and what is the impact on the producer and his or her community of being part of the network or GVC. Table 2.1 gives an overview and main characteristics of the case studies companies.
Table 2.1: Overview of the Five Selected Companies

<table>
<thead>
<tr>
<th>Company</th>
<th>Founded</th>
<th>Headquarters</th>
<th>Country</th>
<th>Revenues (US$)</th>
<th>Number of artisans</th>
<th>Nbr of other employees</th>
<th>Stores</th>
<th>CEO or Founders</th>
<th>Business model with artisans</th>
<th>Signature products</th>
<th>Innovations</th>
<th>Financing of artisans</th>
</tr>
</thead>
<tbody>
<tr>
<td>Soko</td>
<td>2012</td>
<td>Nairobi, San Francisco</td>
<td>Kenya, USA</td>
<td>not available</td>
<td>2500</td>
<td>70</td>
<td>none</td>
<td>Joanne Calabrese, CEO (not pictured)</td>
<td>Network (nonexclusive supplier relationship)</td>
<td>Jewelry from brass, horn, etc.</td>
<td>Artisan app, smart logistics</td>
<td>Upfront partial payment upon order</td>
</tr>
<tr>
<td>Artisan d’Angkor</td>
<td>2003</td>
<td>Siem Reap</td>
<td>Cambodia</td>
<td>&gt; 5 million (2017)</td>
<td>736</td>
<td>360</td>
<td>6</td>
<td>Pierre André Romano, CEO</td>
<td>Artisans are employees</td>
<td>Silk textiles, woodwork</td>
<td>Skills system, new services</td>
<td>Employees’ wages</td>
</tr>
<tr>
<td>Emilime</td>
<td>2009</td>
<td>Lima, Austin</td>
<td>Peru, USA</td>
<td>0.4 – 0.5 million (2015)</td>
<td>150</td>
<td>5</td>
<td>none</td>
<td>Emily Green, Founder and CEO</td>
<td>Network (exclusive supplier relationship)</td>
<td>Knitted accessories and apparel</td>
<td>Smart logistics system</td>
<td>Yarn supply credit</td>
</tr>
<tr>
<td>Selyn</td>
<td>1991</td>
<td>Kurunegala</td>
<td>Sri Lanka</td>
<td>&gt; 1 million (2017)</td>
<td>739</td>
<td>75</td>
<td>5</td>
<td>Sandra Wanduragala, Founder and CEO</td>
<td>Network (exclusive supplier relationship)</td>
<td>Home decor items, toys, apparel</td>
<td>Fair trade toys</td>
<td>Upfront partial payment</td>
</tr>
<tr>
<td>Anou</td>
<td>2012</td>
<td>Rabat</td>
<td>Morocco</td>
<td>0.25 – 0.5 million (2015)</td>
<td>500</td>
<td>7</td>
<td>0</td>
<td>Dan Driscoll, Founder and Chairman of the Board</td>
<td>Artisans’ cooperative</td>
<td>Rugs, home decor products, jewelry</td>
<td>Visual only app</td>
<td>Self-financed from profits</td>
</tr>
</tbody>
</table>

Source: WBG team’s firm surveys and company websites. Photo credits: Soko, Artisan d’Angkor, Emilime, Selyn, Anou
Engagement with customers and participation of artisans in the different functions are key parts of the respective strategy. The artisans are linked to the product story through which the customer participates and experiences the company more actively than simply by consuming a product. The product story features the artisans and the sustainable materials and processes used; therefore, the story underlines inclusiveness and transparency used in the manufacturing process. The aggregator firms (that is, the main or brand firms) select artisans as producers and then train those artisans in quality production for international retail markets. Over time, the artisans are also trained to design and co-design products. Each company trades internationally and uses different sales channels, including its own stores, online retailing, and wholesale to larger retailers (see the subsequent section about marketing and output logistics).

Among the case study firms, the younger firms at start-up have focused on a few product lines mostly in one product category. Soko produces fashion-forward jewelry for the U.S., European, and Asian markets (wholesale and online retail), and Emilime produces knitted fashion and fashion accessories for the U.S. market (wholesale). Anou is producing mostly handmade rugs and, to a smaller degree, home décor products for the U.S. market. The more mature firms sell a variety of products: Artisans d’Angkor produces silk fashion and home accessories for the tourist market, and Selyn produces handloom fabric, toys, and apparel made from the handloom fabric for wholesale export and local retail (see also table 2.1).

As part of the firms’ strategic control function, some firms have diversified their product range and expanded into services. Soko and Artisans d’Angkor have added services: Soko offers sourcing, private-label services for brand companies, such as brands including Target and QVC using innovative manufacturing models. Artisans d’Angkor has expanded into interior design services that represent about 10 percent of revenues so far, yet could grow given the increasing urbanization in Cambodia and the rest of Asia.

Over the past 10 years, despite Cambodia’s tourist receipts tripling from 2006 to 2016 (World Bank Data 2018), Artisans d’Angkor noticed that the tourists’ countries of origin had become more diverse with a higher proportion of Asian tourists who have a lower propensity than their European counterparts to buy high-priced items. Partly in response to this development, Artisans’ Angkor is now offering smaller products. Artisans d’Angkor has also developed in-depth, hands-on artisan experiences by giving tourists the opportunity to see and actively participate in production workshops.21

As part of Emilime’s expansion strategy, in August 2016 the firm decided to expand its product line into sweater production, in addition to its traditional fashion accessories products.

All firms experienced growth in their early years, yet growth in recent years has varied. Over the past three years, Soko has had growth rates of more than 100 percent per year. Anou’s growth was 200 percent between 2014 and 2015 and 50 percent between 2015 and 2016. Emilime turned profitable in 2015, has been growing, and has experienced a down-turn period in 2016-17. The more mature firms experienced slower or negative growth over the past years.

Operations

The design function in the value chain, one of the most value-adding activities, is performed in each company in-house with input from the artisans to keep the nexus between function, form, and material. Product designs are innovated in a constant exchange with customers’ and buyers’ feedback and market trends. In Soko and Emilime, the co-founders and founders act also as creative directors and screen fashion trends. For their respective new collections, each season the firms develop new prototypes for artisans to test produce. The

results and lessons of the prototype production are fed into the design process. Selyn often works with an outside designer for its toys collection. In the case of Artisans d’Angkor, the research and development department oversees product design with input from the production and marketing departments and from senior management. For Anou, a part-time international designer translates industry trends into the artisans’ design processes in artisan workshops. Artisan leaders follow up on the design and production process. Table 2.2 summarizes the design, input, and quality control function.

Table 2.2: Market-Oriented Design, Input, Production, and Quality Control Functions

<table>
<thead>
<tr>
<th></th>
<th>Soko</th>
<th>Artisans d'Angkor</th>
<th>Emilime</th>
<th>Selyn</th>
<th>Anou</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Primary products</strong></td>
<td>Fashion forward jewelry</td>
<td>Silk fashion accessories and home décor products</td>
<td>Hand-knitted fashion accessories and apparel</td>
<td>Handloom fabric, apparel made from handloom fabric</td>
<td>Rugs, home décor products, jewelry</td>
</tr>
<tr>
<td><strong>Secondary products</strong></td>
<td>Interior design and decoration</td>
<td>Hand-knitted sweaters</td>
<td>Toys made from handloom fabric</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Markets</strong></td>
<td>USA, online</td>
<td>Local tourist markets, local hotels</td>
<td>USA, online</td>
<td>European, Japanese markets, Australia, local tourist markets</td>
<td>USA, online</td>
</tr>
<tr>
<td><strong>New products/services</strong></td>
<td>Public space sculptures</td>
<td>Sourcing services for other buyers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Design function</strong></td>
<td>Creative Director</td>
<td>In-house</td>
<td>Creative Director Emilime</td>
<td>In-house</td>
<td>Artisans with artisans leaders and designer as mentor</td>
</tr>
<tr>
<td><strong>Input and source of inputs</strong></td>
<td>Local brass, horn, beads, recycled material</td>
<td>Local wood and stone, silk thread from China; dyes from Germany and France</td>
<td>Local alpaca, Andean sheep wool, and small quantities of acrylic</td>
<td>Yarn from India, dyes and chemicals from Germany and Switzerland</td>
<td>Local wool</td>
</tr>
<tr>
<td><strong>Quality control (QC) function</strong></td>
<td>Mobile app</td>
<td>Intensive in-house Quality Control</td>
<td>Core function for inputs and before shipping</td>
<td>In-line inspection during and after production process. Quality audit</td>
<td>Centralized quality control by artisan trainers</td>
</tr>
<tr>
<td><strong>Production location</strong></td>
<td>Individual artisans workshops in Kibera slum of Nairobi</td>
<td>48 company owned workshops in rural areas</td>
<td>Workshops and home based work in Lima, Junin, and Puno</td>
<td>Company facilities and outsourced artisan workshops</td>
<td>Artisans homes, not clustered</td>
</tr>
</tbody>
</table>

Source: WBG team’s firm survey.
Emilime and Soko also hold workshops with their artisans to instill creative thinking and innovation with the objective to render over time the artisans into co-designers for the company’s standard products. In 2015, Emilime launched a yearly design competition for its artisans. The firms’ continuous variation in product designs has the benefit of protecting them from copycat mass-manufacturers.

Input materials are sourced mostly locally and, in the case of Soko, include recycled material. All firms are producing their products in a transparent and environmentally sustainable manner. Emilime is using local alpaca and Andean sheep wool along with some acrylic from local producers. Emilime negotiates prices with the supplier, buys the wool, and distributes it to the master artisans. Soko’s artisans are independently buying inputs, such as horn, brass, recycled material, and beads. Yet Soko is partly financing the artisans’ input purchases through preorder payments. Soko buys mechanical production machines from global equipment suppliers and leases them to the artisans. Only Selyn buys inputs from global suppliers, such as yarn from India and dyes from Germany and Switzerland. Anou’s supplies are local wool, grass for baskets, wood for home goods, and environmentally friendly dyes (natural and synthetic).

As for the operational control function, all firms have extensive central in-house quality control as well as show the capability of continuously upgrading product designs and organizing production lines quickly according to customer feedback and trends. Emilime and Soko receive customer feedback at trade shows and by scanning the market and trends, while Artisans d’Angkor, Selyn, and Anou build on feedback from store and online customers, as well as from their data analysis. All firms subsequently adjust product designs to trends, customers’ feedback, and sales analytics. All case study companies are steadily increasing artisans’ skills and business acumen to improve quality.

Environmental practices are built into the production processes and value creation. Selyn combines manufacturing with artisan production. It is using high-technology production methods for yarn dying and for its toy production, as it follows regulations on flammability, toxicity, and safety. Its fabric is handwoven by outsourced artisan workshops. Selyn also has the International Fairtrade Certification Mark and is the only Sri Lankan company to have the World Fair Trade Organization (WTFO) Guarantee System, which is opening new networks and buyers in Europe. The company recently introduced recycling technologies to reduce waste to minimum amounts.

Soko’s and Anou’s mobile artisan apps organize their respective supply chains for decentralized production. The apps are disrupting standard aggregator business models. Both firms use apps for interactions to and from artisans, which in the case of Anou overcomes geographical distance, as well as low literacy. The apps are optimizing product order management, production, quality control, and logistics. Soko's app serves the function of operational control and thus enhances productivity. Among all the examined firms, Soko is the only firm that uses its app to make operational production and quality control data available to artisans. The app also benchmarks artisans through ranking sales volumes, rejection rates, and total orders. As such, the data perform operational control function. The artisans can respond to bid orders via the app. Soko’s community outreach staff members help recruit new artisans and serve as liaisons in case of problems.

Anou uses two apps, one for production and order and one for quality control. Both facilitate communication and production with its registered 500 artisans in a wide geographic circle. Its production app assists in the step-by-step approval of product uploads to the website, order processing, and payments. In addition to the app, Anou maintains a telephone hotline for artisans’ questions about production, design, and order fulfillment for its artisans. In its quality control app, artisan leaders in headquarters and artisans communicate about quality issues before shipping. The customer is looped in through the...
app, informed about the quality issue, and decides to accept or reject the product despite the quality issue raised (color deviation, or similar). Anou does not use data for benchmarking artisans. Artisans d’Angkor, Emilime, and Selyn use basic ICT and data processing.

**Leadership, Strategic Control and Organization**

All companies have well-trained founders and executives who continue to set strategic directions and manage day-to-day operations (see table 2.3). Three of five firms are founded by women, and Selyn and Emilime are still led by the women founders. As an additional governance structure, Artisans d’Angkor, Soko, and Anou have formal boards of directors who give and monitor strategic directions. Selyn has an advisory and governing body that includes Selyn’s top management and other key managers called “Think Tank.” In all companies, data analytics at different degrees of sophistication are feeding into the firm’s strategic control function. In the case of Soko and Anou, leadership teams view production data just in time and can redirect functions quickly.

Artisans actively participate in the leadership and in the organization of their respective aggregator companies. Artisan leaders act as supervisors, design instructors, and facilitators between the aggregator firm and the artisans. Leadership is also expressed through the artisans’ independence in three of the five companies. At the same time, the aggregator companies’ integrated system of learning, customer feedback, continuous new product designs, and repeat orders are keeping artisans loyal to the brand firm and engaged in its growth. Table 2.3 portrays the specifics about the governance and leadership structure for each surveyed company.

Many of the companies went through a period of learning either of management and leadership skills or of business models. For example, Soko first ventured into functioning as an electronic trading platform for artisan goods produced in Africa. After one year, the company saw the opportunity to manufacture its own artisanal goods; it pursued and has continued its growth in manufacturing such goods. Emilime Green, the founder of Emilime, says that she did not have all skills to manage a business when she opened her company in 2009. But she went on to learn

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22. Soko, Anou, and Emilime work with independent artisans who also produce for other buyers. Selyn’s artisans produce exclusively for Selyn, and Artisans d’Angkor’s artisans are full-time employees paid a monthly salary.
it. Green says, “I taught myself everything and learned a lot of hard lessons. Through these experiences, I have become really confident in my abilities, and I also know where I am lacking. Knowing yourself this well allows you to make smart decisions on how you spend your time and how you choose to grow the business” (Emilime Blog 2018). The most recent management literature confirms Green’s assertion of the connection between knowing oneself and growing a business.

Managing one’s self, managing a network, and managing a team are key to successfully “being the boss” (Hill and Lineback 2011).

### Financing

Sources of financing for the aggregator firms and the artisan microenterprises vary. Table 2.4 shows the different types of financing for the company start-up phase and the firms’ growth phases, as well as the types of financing for the artisan microenterprises.

Companies use varied sources of financing. Soko has been financed by three rounds of venture capital financing (including impact investors) starting in 2013 with US$0.7 million, a second round of US$0.7 million, and the last round in December 2016 of US$1.24 million (Crunchbase 2017; see also chapter 3, Case Studies). Emilime, Selyn, and Anou were financed each by their founders’ own funds. Selyn—later in its existence—started receiving bank loans. Artisans d’Angkor was the only company that has been supported by its government with a concessional loan from the Cambodian Ministry of Finance in 2003 and backed by an Agence Française de Développement (AFD) grant. It later received a commercial bank loan for the land acquisition to build its offices. At the time of the interview, Anou was keen on maintaining full control of the cooperative and therefore was not interested in outside investors.

Three of the five firms provide access to short-term finance to artisans, which are an incentive for artisans to join the respective aggregator firm. Soko, Selyn, and Emilime are prepaying for production input material or provide advance payment to artisans in their network at the time of orders. In addition to prefinancing input materials, Selyn provides other benefits such as child care centers and

<table>
<thead>
<tr>
<th>Soko</th>
<th>Artisans d’Angkor</th>
<th>Emilime</th>
<th>Selyn</th>
<th>Anou</th>
</tr>
</thead>
<tbody>
<tr>
<td>Source of company financing at start-up</td>
<td>Business plan competitions, start-up competitions, equity financing, buyers’ credit</td>
<td>AFD grant to Government served as concessional loan to Artisans d’Angkor</td>
<td>Founder’s own funds</td>
<td>Founders’ own funds</td>
</tr>
<tr>
<td>Financing of growth</td>
<td>Venture capital firm, impact investors</td>
<td>Loan and retained earnings</td>
<td>Buyers’ credit</td>
<td>Loans starting in third year, retained earnings</td>
</tr>
<tr>
<td>Production Financing</td>
<td>Advance payment to artisans of up to 30% at time of orders. Asset financing to some artisans.</td>
<td>Artisans are employees and are paid monthly</td>
<td>Artisan leaders receive yarn upfront to be paid off with revenue.</td>
<td>Artisans are paid cash for 50% advance payment upon order; are given 60 days interest-free loans on yarn</td>
</tr>
</tbody>
</table>

Source: WBG team’s firm survey
health and entrepreneurial workshops that contribute to a high retention rate of artisans and likely to productivity.

**Participation of Artisans, Human Resources, and Community Development**

Research shows that a high level of participation of workers and employees and various incentives help maintain high-quality standards, innovation, and the firm’s agility in an ever faster evolving world (Rigby, Sutherland, and Takeuchi 2016). The aggregator firms established various degrees of participation in functions such as strategic planning, design, operative planning, and operative control through artisan benchmarking (see table 2.5). In the cases of Anou and Artisans d’Angkor, artisans hold ownership shares: 100 percent of shares for Anou’s artisans and 20 percent for Artisans d'Angkor through the Association of Khmer Arts and Crafts, which represents 600 of the 1,100 employees. In all firms, producers participate in sharing the benefits; for Anou’s artisans this accounts for 80 percent of the revenues. Sharing benefits and having a say in decision making is the characteristic of a “good job,” a concept many global firms are increasingly subscribing to (Zeynep 2014).

Participation is especially strong through the use of apps of Soko and Anou. For operative planning, Soko for instance allows artisans to opt in for each purchase order, thus enabling them to determine the terms of the trade. The operative control is enhanced by the app and its benchmarking (ranking by rejection rates) and data tools (total number of orders and total revenues for each artisan), all of which facilitate the artisan’s planning.

The participation contribute to better product design processes, better quality, higher productivity, and customer satisfaction, because production impasses are quickly resolved.

All five businesses work with a large pool of artisans in decentralized workshops and build up artisans’ technical and business skills and hence grow their human capital. This learning guarantees and contributes to the growth of the respective aggregator companies, the artisan microenterprises, as well as to the individuals and their respective communities. Artisans in Selyn, Soko, Emilime, and Artisans d’Angkor on average have some or completed secondary education. Table 2.6 provides an overview for each firm on several human resources metrics, such as number of

<table>
<thead>
<tr>
<th>Table 2.5: Degrees of Artisans’ Participation in Different Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Artisans’ formal shareholding</strong></td>
</tr>
<tr>
<td>No</td>
</tr>
<tr>
<td><strong>Artisans’ participation in highest decision making (Board)</strong></td>
</tr>
<tr>
<td><strong>Margin (%) to artisans</strong></td>
</tr>
<tr>
<td><strong>Participation in design</strong></td>
</tr>
</tbody>
</table>

*Source: WBG team’s firm survey.*
artisan affiliations with the aggregators, years of average formal education of artisans, location of workshops, ratio of female artisans in the workforce, and training and community services. Management of the human resources, the artisans, is established in various ways. Soko and Anou set up IT platforms to manage their human capital. The others use the artisan supervisors. In terms of human capital development, Artisans d’Angkor provides a technical apprentice training of six months for new employees (artisans). Soko, Emilime, and Anou provide design thinking training for artisan leaders who then teach these skills to their artisan groups. Selyn and Emilime are providing technical skills training, as well as leadership and entrepreneurial development. Selyn is also teaching fair-trade awareness.

Table 2.6: Human Capital Development: Skills Development and Community Engagement

<table>
<thead>
<tr>
<th></th>
<th>Soko</th>
<th>Artisans d’Angkor</th>
<th>Emilime</th>
<th>Selyn</th>
<th>Anou</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Artisans</td>
<td>2500</td>
<td>736</td>
<td>150</td>
<td>739</td>
<td>500</td>
</tr>
<tr>
<td>Other employees</td>
<td>70</td>
<td>360</td>
<td>5</td>
<td>75</td>
<td>7</td>
</tr>
<tr>
<td>Average level of education of artisans</td>
<td>Secondary</td>
<td>Secondary</td>
<td>Secondary</td>
<td>Secondary</td>
<td>Primary</td>
</tr>
<tr>
<td>Distribution female/male artisans</td>
<td>84/16</td>
<td>60/40</td>
<td>60/40</td>
<td>97/3</td>
<td>70/30</td>
</tr>
<tr>
<td>Technical training/Business training offered</td>
<td>Technical training/no business training offered</td>
<td>Technical training/no business training</td>
<td>Technical training/business training, plus design, creativity workshops</td>
<td>Technical training/business training offered; plus design workshops</td>
<td></td>
</tr>
<tr>
<td>Mentorship offered</td>
<td>Through community leaders</td>
<td>Through workshop leaders</td>
<td>Through artisan leaders</td>
<td>Through workshop leaders</td>
<td>Through artisans leaders and part-time designer</td>
</tr>
<tr>
<td>Majority of artisans rural/urban</td>
<td>Urban</td>
<td>Rural</td>
<td>Urban</td>
<td>Rural</td>
<td>Rural</td>
</tr>
<tr>
<td>Community programs (health, education)</td>
<td>No</td>
<td>Medical services, child care centers</td>
<td>Through 10% of Emilime’s profit (training, health)</td>
<td>Child care centers at select artisan workshops.</td>
<td>No</td>
</tr>
<tr>
<td>Youth Employment-artisans (18–30)</td>
<td>37%</td>
<td></td>
<td></td>
<td></td>
<td>10%</td>
</tr>
</tbody>
</table>

Source: WBG team’s firm survey. * weighted by the firms’ sizes of network.
Anou is empowering artisan leaders who work part-time in its headquarters to learn new skills. For instance, one of Anou’s employed artisan trainers, a metalsmith, who has nine years of schooling in 2017 took on a task that usually would be performed by college-educated employees. The artisan trainer negotiated with lawyers over a full year to resolve 37 court cases that had erupted between a town’s mayor and the female president of one of Anou’s affiliated cooperatives in the town. The consequence was that the artisan trainer “(the metalsmith) has largely become an expert in Moroccan cooperative law.” (Anou Blog 2017).

**Inclusion and Empowerment**

The share of women artisans is 80 percent across the five firms (see also table 2.6.) Selyn’s share of women artisans is almost 100 percent. Soko has the second highest share, followed by Anou. Artisans d’Angkor and Emilime each have 60 percent. The home-based work in the cases of Soko, Emilime, and Anou and the rural workshop structures of Selyn and Artisans d’Angkor fit women who are interested in combining the artisan production with activities such as child or elderly care duties, as well as with agricultural production or small shop-keeping. Selyn and Artisans d’Angkor also operate child care centers at select rural workshops. An IFC report shows that child care boosts recruitment, productivity, and diversity of the workforce in the formal sector (IFC 2017). The same benefits of secured child care can therefore be expected in entrepreneurial or informal business settings.

Beyond technical training, four of the five companies are providing entrepreneurship skills to the artisans. Selyn, Artisans d’Angkor, and Emilime also provide life skills training, including wellness training and female health. Selyn provides services about how to cope with alcoholism and domestic abuse.

The specific trainings, the group cohesion, and the related empowerment of individuals and of communities contribute to value the artisans’ cultural heritage and identity, which in conflict situations such as Sri Lanka or in situations of marginalization such as the slums in Kenya or rural areas of Morocco help prevent tensions and exclusion and provide stability. The participating women are increasingly confident in being entrepreneurs or technical professionals, in solving family conflicts, and even in raising concerns with local and national policy makers (see the section on government assistance and business environment and chapter 3). In Artisans d’Angkor, youth are the core of the workforce, thus preventing the typical path of youth migration from villages to the larger cities.

**Marketing and Output Logistics**

All firms have spent a lot of effort developing their brands in their respective markets. Emilime’s and Soko’s branded products have captured large U.S. retailers in just a few years. Artisans d’Angkor thrives on sales in its own five retail stores in Cambodia that are visited by international tourists. Soko and Emilime also sell online. Half of Selyn’s revenues are from its six stores in Sri Lanka, and the other half comes from exports to Asia and Europe. Anou sells wholly through e-commerce, mostly to individual U.S. clients. The strength of the brands vary with Soko taking a lead. A large part of Soko’s brand building has been the “ethical fashion” aspect—products produced by artisans in developing countries in a transparent and environmentally friendly manner. Soko created the term *ethical fast fashion* and has emphasized its IT-enabled virtual factory to compete with low-cost, fast-fashion brands.23 Branding also includes the artisan participation in many or some parts of the decision making.

For entering new markets, Soko and Emilime are best practice examples on how to access new markets and, in particular, how to capture large U.S. retail chains. Since their first years of operation, Emilime and Soko have attended accessories and home décor trade shows such as NY Now in New York and have swiftly and creatively responded to changing customer

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23. Soko’s co-founder Gwendolyn Floyd says, “Our goal has been to be on a timeline to compete with trend brands like Zara, but to create really ethical products.” See Burritt (2017).
preferences. Table 2.7 summarizes the brand companies’ main markets and main marketing channels.

**Government or Donor Interventions**

Four out of five firms were set up through entrepreneurs with strategic yet limited government or donor support. Artisans d’Angkor had been set up in 1992 by a donor project. From 1998 to 2001, it was funded by a European Union (EU) project before it was transformed into a private–public company with the government owning 30 percent of shares. Soko benefited from a small grant won under a business plan competition in 2012, its first year of business. Selyn in 1995 and 1996 received a limited, yet effective, grant from U.S. Assistance for International Development (USAID) to participate in two toy trade fairs in the United States to gain exposure to U.S. markets. This grant was facilitated through the Sri Lanka Export Development Board (Nathan Associates, J.E. Austin Association 2006).

**Business and Digital Environment and Innovation Ecosystem**

Business and digital environment and innovation ecosystem issues perceived by firm owners as benefiting firm growth are clustered around (a) the availability of affordable ICT services such as cell phone calls and mobile money; (b) business competitions, prizes, or awards and their social media outreach; and (c) women’s right to work outside the home and other laws and customs affecting women or minorities to work or to be an entrepre-

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**Table 2.7: Main Markets, Marketing Channels, and Sales Channels**

<table>
<thead>
<tr>
<th></th>
<th>Soko</th>
<th>Artisans d’Angkor</th>
<th>Emilime</th>
<th>Selyn</th>
<th>Anou</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Main markets</strong></td>
<td>U.S. retailers, other countries</td>
<td>Cambodia’s international tourists, and luxury hotels</td>
<td>U.S. retailers</td>
<td>Sri Lankan tourists (60%), European and Asian retailers</td>
<td>U.S. individual clients</td>
</tr>
<tr>
<td><strong>Own Stores</strong></td>
<td>1 flagship store in San Francisco</td>
<td>6 (Siem Reap, Phnom Peng)</td>
<td>6 (Colombo, Kandy, Negombo, Kurunegala, Dambulla, and Badagamuwa)</td>
<td>online only</td>
<td></td>
</tr>
<tr>
<td><strong>Trade show participation</strong></td>
<td>U.S. NOW, NY</td>
<td>Asian trade shows</td>
<td>U.S. NOW, NY</td>
<td>Ambiente, Frankfurt, International Toy fairs</td>
<td>None</td>
</tr>
<tr>
<td><strong>Sample clients</strong></td>
<td>Fossil, Anthropology, Nordstrom, Stichfix</td>
<td>Anthropology, Urban Outfitters, Neiman Marcus</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Brand</strong></td>
<td><img src="image1" alt="Soko" /></td>
<td><img src="image2" alt="Emilime" /></td>
<td><img src="image3" alt="Artisans d’Angkor" /></td>
<td><img src="image4" alt="Selyn" /></td>
<td><img src="image5" alt="Anou" /></td>
</tr>
<tr>
<td><strong>Online as % of total sales</strong></td>
<td>60% in Q4, 40% in Q1</td>
<td>2%</td>
<td>5%</td>
<td>n.a.</td>
<td>98%</td>
</tr>
</tbody>
</table>

*Source: WBG team’s firm survey.*
neur” (see Annex 1. table A.1). The affordability of cell phones and their use for artisans, IT infrastructure and internet availability, and availability of mobile money were ranked as the most important to firms’ growth. Having business competitions, publicizing prices, and giving awards—as well as social media attention—were rated equally important. The firms also responded that basic technical artisan and workers’ skills were important. Artisans’ and workers’ education are to some firms facilitating, to some firms constraining factors to firm growth. Other business environment aspects positively affecting firm growth are access to land, the foreign-currency earning regime, e-commerce regulation, import and export regulations, and government’s help for exposure to foreign markets and for providing technical skills at the start of the company.

Business environment issues perceived as negatively affecting firm growth were the lack of accreditation for the skills training provided by the firms. Customs processing, lack of government help for product certification, and current conflicts in the country were thought of hindering firm growth. Several firms said lack of access to electricity was an issue, and one company listed high electricity prices as a constraint.

**Growth of Firms**

To determine firm growth, the analysis used various data points in the absence of year-by-year sales or employee data for all firms. Available data are summarized in table 2.8. Soko and Anou experienced an average sales growth over a three-year period of 83 and 93

<table>
<thead>
<tr>
<th>Years in business</th>
<th>Soko</th>
<th>Artisans d’Angkor</th>
<th>Emilime</th>
<th>Selyn</th>
<th>Anou</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>6</td>
<td>15</td>
<td>11</td>
<td>27</td>
<td>7</td>
<td>7</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Number of artisans (employed and affiliated)</th>
<th>Soko</th>
<th>Artisans d’Angkor</th>
<th>Emilime</th>
<th>Selyn</th>
<th>Anou</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2500</td>
<td>736</td>
<td>150</td>
<td>739</td>
<td>500</td>
<td>4625</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Number of (other) employees</th>
<th>Soko</th>
<th>Artisans d’Angkor</th>
<th>Emilime</th>
<th>Selyn</th>
<th>Anou</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>70</td>
<td>360</td>
<td>5</td>
<td>75</td>
<td>7</td>
<td>515</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total number of artisans &amp; employees</th>
<th>Soko</th>
<th>Artisans d’Angkor</th>
<th>Emilime</th>
<th>Selyn</th>
<th>Anou</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2570</td>
<td>1096</td>
<td>155</td>
<td>812</td>
<td>507</td>
<td>5140</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Annualized growth of number of artisans and employees (%)* (since firm inception)</th>
<th>Soko</th>
<th>Artisans d’Angkor</th>
<th>Emilime</th>
<th>Selyn</th>
<th>Anou</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>152</td>
<td>17</td>
<td>32</td>
<td>18</td>
<td>75</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Annualized growth of number of higher level jobs (since firm inception) (%)*</th>
<th>Soko</th>
<th>Artisans d’Angkor</th>
<th>Emilime</th>
<th>Selyn</th>
<th>Anou</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>69</td>
<td>27</td>
<td>16</td>
<td>17</td>
<td>20</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2014 – 2015 sales growth (%)</th>
<th>Soko</th>
<th>Artisans d’Angkor</th>
<th>Emilime</th>
<th>Selyn</th>
<th>Anou</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>100</td>
<td>41</td>
<td>-3</td>
<td>200</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2015 – 2016 sales growth (%)</th>
<th>Soko</th>
<th>Artisans d’Angkor</th>
<th>Emilime</th>
<th>Selyn</th>
<th>Anou</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>50</td>
<td>3</td>
<td>3</td>
<td>50</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2016 – 2017 sales growth (%)</th>
<th>Soko</th>
<th>Artisans d’Angkor</th>
<th>Emilime</th>
<th>Selyn</th>
<th>Anou</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>100</td>
<td>-53</td>
<td>30</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Average sales growth over three years (%)</th>
<th>Soko</th>
<th>Artisans d’Angkor</th>
<th>Emilime</th>
<th>Selyn</th>
<th>Anou</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>83</td>
<td>-3</td>
<td>93</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Calculated with 10 artisans (proxy for employees) at inception if unknown (per OECD definition).

Source: WBG team firm survey and follow-up interviews.
percent, respectively (see table 2.8.) indicating that they are high-growth firms, except that Anou does not have ten employees. In 2018, Anou also hired an operations and a design mentor, and Soko hired additional executives after a new equity investment in late 2016. Calculating Emilime’s annualized artisan and employee growth rates makes Emilime seem to be a growth firm, yet multi-year sales growth rates over the past three years were negative. This episode occurred after strong growth in previous years. For Artisans d’Angkor and Selyn, only 2016 sales data are available. Artisans d’Angkor’s and Selyn’s annualized artisan and employee growth rates are below 20 percent, but it is likely those rates were higher in the inception years and have flattened in recent years.

In terms of quality of jobs, Selyn has the largest number of higher-level jobs with 75. Of the firms analyzed, Selyn has made the largest investments in manufacturing and dyeing equipment, in firm organization, as well as in the expansion of its workshops, with Selyn owning the land of its rural workshops and leasing the workshop to workshop leaders. Soko stands out with an annualized growth rate for high-level jobs of 69 percent; most of its 70 employees have a bachelor’s or master’s degree. Anou and Emilime have each only three to four high-level jobs, yet both firms follow a model of empowerment for all their respective artisans and artisan trainers.

The model of the aggregator firm, with its affiliated network of microenterprises, also calls for a new definition of growth firms because the aggregator model does not fit the full-time employee status of the Organisation for Economic Co-operation and Development’s definition of high-growth firms. The global development toward distributed manufacturing makes redefining the high-growth definition more necessary. The learning-by-doing approach to empower relatively low-educated microentrepreneurs to learn new skills on-the-job, as exemplified in Anou’s and Emilime’s approach, could be captured in a new “firm-level human capital growth” indicator to complement the current turnover and jobs growth indicators of OECD’s definition of high growth firms.

### Four Levels of Capabilities and a 12 Steps Program

The analysis shows that the firms measure up to capturing high-margin value chain functions, fulfill PSMP functions, take advantage of important aspects of the business and digital environment and of innovation ecosystems, and of financial solutions for firm growth (see figure 2.1.). These complementary capabilities at four levels—firm, business and digital environment and the ecosystem, value chains, and financial solutions—can “produce” inclusive (high)-growth firms.

#### Figure 2.1.: Capabilities at Four Levels: Firm, Business and Digital Environment, GVC, and Financial Solutions

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24 The Organization of Economic Co-operation and Development’s (OECD) definition of high-growth firms is “All enterprises with average annualized growth rates greater than twenty percent per annum, over a three-year period, and with ten or more employees at the beginning of the observation period. Growth is thus measured by the number of employees and by turnover” (Danish Business Authority, OECD, and LEED 2012).
Companies have developed firm capabilities in all PSMP functions, which drive firms’ competitiveness (see also Cirera and Malony 2017, chapter 4). All firms are capturing high-margin value chain functions in the fashion and home accessories industry—such as design and, in four of five firms, retail functions. The firms vary slightly in most attributes. And Soko and Anou, the two firms using disruptive ICT to improve microenterprises’ and aggregator firms’ performance (including reducing transaction costs) and to grow the microenterprises’ human capital, are transforming the artisan-based home and fashion accessories industry with their respective business models. All firms have adopted many of the attributes of fast-fashion apparel firms which were identified as a growth segment (World Bank 2015) while at the same time differentiating their value chain functions in critical aspects. The fast-fashion attributes that the case study firms have adapted are (a) selling brand products, (b) having continuous variation in product designs based on consumer trends, (c) encouraging producers’ participation in the design process, (d) a central quality control function, and (e) using ICT and data that contributes to smart production and efficient logistics.

A differentiating element of the case study firms is the ethical value (socially and environmentally sustainable value), a value created beyond the economic value. The social value derives from the fact that the aggregator firms are producing in a participatory way with microentrepreneurs and artisans—many female artisans, most of whom are from poor and rural or marginalized communities—and are sharing profits with the artisans. This ethical value is communicated to the customers in form of a product story.

The environmental value is that (a) firms themselves or through their artisan producers are sourcing local, mostly natural materials that are available in local markets, and (b) firms are applying traditional production technologies assisted with some electrical or mechanical tools. Soko also uses recycled material. And the firms are using only few globally sourced inputs, for example, equipment and materials such as fabric and dyes. This type of environmentally and socially sustainable value creation is called the triple bottom line or inclusive production.

Financial solutions in four of the five case study firms are built in through the firms’ financing of the microenterprises. Most aggregators provide affiliated microenterprises financing for inputs. Soko, at times, is financing microenterprises’ small equipment. In a second growth phase, Soko affiliated microenterprises are financing subsequent expansion themselves, i.e. investing in equipment or retrofitting workshops, through local micro-loan platforms or other financial solutions (see Chapter 3). Selyn is financing the decentralized workshop buildings and equipment. In Anou’s case, it transfers 80 percent of sales revenues to the microenterprises or the artisan cooperatives impacting positively their savings, investments and cash flow from which they are financing input and equipment.

The firms’ PSMP, value-adding GVC, and financial solutions’ capabilities are listed in table 2.9.

The selected firms could still improve on certain management and value chain functions to secure their continuous firm growth and competitiveness. The following are some firm level recommendations. Artisans d’Angkor and Selyn could expand supplying to additional foreign markets, such as the U.S. market or other Asian markets.

Soko, Emilime, and Anou could expand the number of retail or online stores in different countries. Artisans d’Angkor, Emilime, and Selyn could enhance their ICT functions to generate and distribute data to microentrepreneurs for R&D, design, and distributed production. Customer interactions and feedback in retail or in online stores, for instance, generate valuable data for marketing, engagement,
Table 2.9.: 12 Key Capabilities at Three Levels: Firm, Value Chain, Financial Solutions

<table>
<thead>
<tr>
<th>Function</th>
<th>Case study firms applying key capabilities</th>
<th>Activities</th>
<th>Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vision, strategic planning, and participation of producers and customers</td>
<td>All</td>
<td>Planning and implementing the vision of ethical brands with informal or micro-producers (artisans) and sharing the producers’ story with customers.</td>
<td>Firm-level</td>
</tr>
<tr>
<td>Leadership</td>
<td>All</td>
<td>Competent founders who stayed on as firm executives.</td>
<td>Firm-level</td>
</tr>
<tr>
<td>Strategic control, R&amp;D, design function, marketing, and diversification</td>
<td>All</td>
<td>Continually providing new, high-quality product and services design by transforming industry demand and supply trends.</td>
<td>Firm-level, value chain</td>
</tr>
<tr>
<td>Operational control, human resources, and community engagement</td>
<td>All</td>
<td>Focusing on high-quality standards and incentives for artisans.</td>
<td>Firm-level</td>
</tr>
<tr>
<td>Organization, operational planning, operational control, and participation</td>
<td>All (digital: Anou, Soko)</td>
<td>Implementing (digital) production planning, control, and distribution.</td>
<td>Firm-level</td>
</tr>
<tr>
<td>Participation</td>
<td>All</td>
<td>Empowering microenterprises or artisans in all strategic management functions.</td>
<td>Firm-level</td>
</tr>
<tr>
<td>Working capital financing for microenterprises</td>
<td>Emilime, Soko, Selyn</td>
<td>Providing microenterprises working capital through input prefinancing or providing input material.</td>
<td>Financial Solutions</td>
</tr>
<tr>
<td>Investment capital finance for artisans</td>
<td>Selyn, Soko</td>
<td>Leasing production facilities (Selyn) and prefinancing machines (Soko).</td>
<td>Financial Solutions</td>
</tr>
<tr>
<td>Buyers’ credit for aggregator firms</td>
<td>Anou, Emilime, Soko, Selyn</td>
<td>Making prepayments at the time of the orders.</td>
<td>Financial Solutions</td>
</tr>
<tr>
<td>Equity financing</td>
<td>Artisans d’Angkor, Soko</td>
<td>Produce data on microentrepreneurs and on impact for investors</td>
<td>Financial Solutions/ Business Environment</td>
</tr>
<tr>
<td>Design, strategic implementation, and production</td>
<td>Artisans d’Angkor, Emilime, Soko, Selyn</td>
<td>Using standardized product design.</td>
<td>Value Chain</td>
</tr>
<tr>
<td>Retail</td>
<td>Anou, Artisans d’Angkor, Selyn, Soko</td>
<td>Maintaining and expanding ownership of retail stores or online retail platforms.</td>
<td>Value Chain</td>
</tr>
</tbody>
</table>
and R&D, such as feedback on product design and customer preferences. With this data the firms could inform design and integrate their decentralized artisan groups into design and development processes more efficiently and effectively. Anou could test supplying to retail stores, a move that would require more product standardization. Anou could also consider financial instruments for its firm growth to spur expansion and branding.

**Business and digital environment and the ecosystem**

Business and digital environment capabilities in the countries of production allow for the aggregator companies to export despite differences in related Doing Business rankings, for example differences in the trade facilitation Doing Business indicator for Morocco and for Kenya. Yet, both countries are home to the two high-growth exporting firm, Anou and Soko. Some selected policy areas are reported to being favorable for firm growth, such as women economic rights, ICT infrastructure and affordable telecom and data services, and public recognition for the achievements of the firm. Some business environment areas are reported hindering firm growth, such as customs processing and current political conflict.

Because of the strong export levels of all firms, the business environment in the countries to which the firms are exporting is also important. Two of the companies are headquartered in the United States (Soko and Emilime are registered there). One firm, the Anou cooperative, also has a U.S. founder, and its main market are the United States. The business environment aspect in the countries of the main markets could be especially important for financial solutions, i.e. in terms of buyers’ prepayments of orders and conditions for equity financing (Soko). See Annex 1 table 1 for all the case study firms’ rankings of selected policies and aspects of the innovation ecosystems affecting their respective firm growth.

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Cirera and Maloney argue that innovation policies that spur productivity and competitiveness need to be coordinated with policies governing education, competition, macroeconomic stability, and labor market institutions (Aghion, David, and Foray’s 2009 study, as cited in Cirera and Maloney 2017). Results in the current study show that additionally ICT access policies, firm policies in the buyers’ countries, such as purchase order financing or equity financing, and policies to assist private firms in building human capital in microenterprises are important.

Based on the positive and constraining factors affecting firm growth identified by the case study firms, policy instruments for the business and digital environment and for the innovation ecosystem for aggregator and microfirms are suggested in table 2.10.

Because the determinants are not quantified, and the sample is very small, it is not possible to predict to which extent a low rating in one, two, or more value chain or management PSMP functions, financial solutions or business and digital environment and innovation ecosystem capabilities will relate to high, slow or no firm growth.

**Recommendations**

Microenterprises, governments, donors, financial solutions providers or other innovation ecosystem participants may use this four levels of capabilities framework to analyze and to develop the aggregator firm or the microenterprises who may be at different stages of development. Whether the objective is to increase firm performance, to aggregate microenterprises into a firm, or to develop suppliers for larger retailers in an inclusive manner, the underlying analytical and developmental tools can be useful (see tables 2.1 to 2.10).

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26. The case studies in chapter 3 will not describe the individual business and digital environment rankings due to data confidentiality.
### Table: 2.10. 12 Steps Business and Digital Environment and Innovation Ecosystem Policy Measures for Aggregator and Microenterprises

<table>
<thead>
<tr>
<th>Policy Field</th>
<th>Actions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Business and digital environment</strong>*</td>
<td></td>
</tr>
<tr>
<td>ICT</td>
<td>Subsidizing internet connectivity or affordable phone data coverage in rural or areas where artisans or similar micro-entrepreneurs live.</td>
</tr>
<tr>
<td>Innovation and Design</td>
<td>Financing or subsidizing early-stage product development and product design and skills training.</td>
</tr>
<tr>
<td>Export and Finance</td>
<td>Offering instruments that assist in commercialization (government or others).</td>
</tr>
<tr>
<td>Gender</td>
<td>Implementing policies and regulations that enable women to work outside the home, and other laws and customs (such as travel, management of assets, or cooperatives) affecting women and minorities.</td>
</tr>
<tr>
<td>Skills and Education</td>
<td>Certifying the skills training which firms provide, be it technical, business and management, or technology skills, especially for women, or to reimburse the firms for such training in form of vouchers or tax credits.</td>
</tr>
<tr>
<td>Certification</td>
<td>Providing government assistance to firms for product certification such as the fair-trade or other certificates.</td>
</tr>
<tr>
<td>Finance</td>
<td>Facilitating financial instruments for aggregator firms and for microenterprise for working capital credit as well as for investment financing.</td>
</tr>
<tr>
<td><strong>Innovation Ecosystem</strong>*</td>
<td></td>
</tr>
<tr>
<td>Communication and Innovation</td>
<td>Publicizing entrepreneurship, export, or certification prizes and awards.</td>
</tr>
<tr>
<td>Innovation</td>
<td>Inducing collaboration between industry and academia or between small firms and larger firms through demand-side measures such as vouchers.</td>
</tr>
<tr>
<td>Data Collaborative</td>
<td>Data collaborations (a) amongst microenterprises, (b) microenterprises and aggregator firms, (c) microenterprises and individual clients, or (d) microenterprises and financial services platforms. Data also helps to document the aggregators' impact, to communicate to customers and to attract and retain (impact) investors.</td>
</tr>
<tr>
<td>Skill and Innovation</td>
<td>Matching of business interns, mentors, or coaches with the microenterprises and the aggregator firms.</td>
</tr>
<tr>
<td>Finance and Innovation</td>
<td>Creating a financial business environment for impact, venture and other investors to enter as well as a regulutary environment for financial solution innovations..</td>
</tr>
</tbody>
</table>

* Indicated by short WBG team Firm Business and Digital Environment and Innovation Ecosystem survey.

** mostly measures drawn from the firms’ trajectories.
The framework could also be used for developing a training and coaching curriculum. The case study firms can provide benchmarks for other firms in this industry to evaluate and to adapt their current value chains and their management functions, to find pathways to capture more value, and to grow in the industry’s competitive environment.

The practical application of the framework of GVC and the PSMP for firm level support for inclusive businesses (aggregators and can include programs with the following steps:

- Identify industry trends, strategic industry segments, and their respective GVCs.27
- Diagnose how microproducers and aggregators execute the different GVC and management functions, and determine if they are close to the level of execution of (high-) growth firms.
- Analyze and organize artisan producers and their products and services.
- Facilitate matching between microenterprises and aggregator firms.
- Train and coach aggregators on how to effectively and efficiently execute the GVC and management functions in cooperation with individual microenterprises or producer groups.
- Facilitate matching of venture capitalists or other financial instruments’ providers and aggregator firms.

On the business and digital environment and innovation ecosystem level, the Government could implement the 12 steps policy measures (see table 2.10). The four levels of capabilities framework could also be used as a framework for analyzing and organizing other industries, especially industries who work with decentralized production or services.

Further Research on Inclusive Firms and Their Value Chains, Management, and Poverty Effects

This small sample of competitive ethical firms in the fashion and home accessories industry shows firm growth by fulfilling value chain, PSMP and financial solutions functions, and taking advantage of aspects of the business and digital environment as well as of aspects of the innovation ecosystems. Further investigation into different aspects of the value chain, management functions, and aggregate poverty impact could include the following:

- Examine the impact of value chain integration on artisan microentrepreneurs’ income and investments and on the respective communities in a sex-disaggregated way.
- Examine the effectiveness of different models to include blockchain technology for human capital building, trade financing, or supplier development, especially in different cultural contexts and with majority women as producers and entrepreneurs.
- Research and give measures to minimal threshold of the business and digital environment and of the innovation ecosystem for the emergence of aggregator export firms and of distributed manufacturing; and lastly
- Examine how to collaborate between data experts and the aggregators and microenterprises to promote decentralized or distributed manufacturing.

Once more data on similar aggregators is generated, other research could measure and model the relative importance of fulfilling different value chain and management functions at various levels, providing financial solutions, and taking advantage of specific aspects of the business and digital environments, and the innovation ecosystem. The latter would need to be combined with the minimal threshold of Government capabilities to implement policies, regulations as well as to regulate societal norms.

27. For this study the author did not perform an industry segmentation due to budget and time constraints, yet the trends in the industry were analyzed. The section below speaks to further possible research, including an industry segmentation. For the industry segmentation methodology, see World Bank Group (2015a).
3
The in-depth case studies show how each case study firm is fulfilling the different management and value chain functions introduced in the first chapter of the report, and how the firm has taken advantage of the respective business and digital environment and the innovation ecosystem. All companies practice human capital development of artisans with low formal education, so that these producers stay abreast with the growth of consumers and of the aggregator firm.
Figure 3.1: Soko’s Trajectory

Soko was founded in 2012 in San Francisco and Nairobi. It has registered businesses in Delaware, U.S., and in Nairobi, Kenya.

In 2014, Soko established its brand: a jewelry collection.

In 2016, Soko scaled to new markets: Europe and Asia.

From 2012 to 2014, Soko tried different approaches, experimenting with a business model like “Etsy for Africa”.

Between 2014 and 2016, Soko raised US$2.6 million in venture capital funding.

Through attending international trade shows, Soko established buying relationships with retailers such as Nordstrom, Fossil, Anthropologie and a brand partnership with UN Women.

Soko developed a virtual factory model coordinating its 2,500 artisans via a mobile technology into a distributed production model.

Average annual sales growth over the past 3 years has been 83 percent, making Soko a high-growth firm.

Source: WBG team’s firm surveys and Crunchbase.com.

Soko

Vision and overview

Soko’s mission is to be a “pioneering Ethical Fast Fashion company, aligning handmade talent from emerging markets with the international fashion consumer.”

Soko works “with artisans every day to build their businesses, improve production capacity, and sustainably increase income”.

Soko uses digital technology to organize the value chain and to connect marginalized artisans to international markets. With Soko’s mobile IT tools, artisans upgrade their businesses in product design, quality, production capacity, and entrepreneurial prospects. On average, within a few months of joining Soko, artisans quadruple their income.

Operations

Soko’s designs and products are mostly handmade fashion-forward jewelry, in particular, nonprecious stones and material (recycled brass and bone) for the U.S., European, and Asian markets. Soko’s chief creative officer,

one of Soko’s founders located in the United States, is responsible for product and collection design. In the design process, she scans and determines seasonal trends. She melds the two worlds, the trends, and the artisan community with its “beautiful tribal designs and heritage of the artisans . . .” and “the manufacturing techniques of the heritage, like sand-casting . . .” (Burritt 2017). Trade shows and related orders also serve as barometer of fashion styles.

The second step in the creative process is the production of a prototype that is being measured against its feasibility for existing techniques, material, and costs. Prototype production is being discussed between the chief creative officer, selected artisans, and Soko’s management team, often over Skype conferences. On exceptional occasions, Soko works on collections with outside designers. After a design is approved, Soko uses the mobile app it developed to distribute the production function to local (Nairobi) experienced artisan entrepreneurs and artisans through open orders. On the app, the artisans can accept the bid or opt out of orders. Once artisans are approved for the order, Soko seamlessly transfers design information and tracks orders for just-in-time production. Most artisans have years of experience with specialized techniques for making products in the local market: brass casting, bone and horn carving, shaping wire into handmade chain, and brass sheet cutting. The handmade products are refined with simple and basic machines and even traditional heritage techniques (instruments to carve, sand-casting furnace). The main input materials used are cow bone and horn, brass, and wood that artisans supply on their own with advance payments by Soko at time of order confirmation. Artisans also use recycled brass material from construction and building materials. Some finishing and labeling are done in-house in Soko.

32. Gwendolyn Floyd, Soko’s co-founder and creative director, says, “I stay abreast of the global trends for inspiration, via art, architecture, or fashion” (Burritt 2017).

Soko developed an efficient operational system using its proprietary app and providing additional support to artisans to grow. In Kenya, Soko pays its artisans are through M-Pesa and other mobile money platforms. With Soko’s own app, artisans are in constant communication with Soko and know immediately the total number of orders, total payments per year, and their ranking in product quality (that is, rejection rates). Through the app Soko allows artisans to opt in for purchase orders, thus enabling them to determine the terms of their trade. Soko also provides technical assistance to artisans through grants it receives to support building artisans’ capacity and training by increasing their workshop management capacity. At the same time, Soko enables the artisans to move from entry level to higher levels of production capacity. A team of field officers also serves as quality control giving immediate feedback, training, and support.

Once products are delivered to Soko’s Nairobi headquarters, an internal quality control department conducts quality control on all delivered products. Soko’s in-house quality control feeds its results into the mobile artisan app in which artisans are ranked according to their product rejection rate. If the strict quality standards (that is, precise measurement) are not met, the products are returned to the artisans. Rejection rates of even 100 percent are not a reason for Soko to disqualify the artisan. With the virtual production app and in-house quality control, Soko is able to cut out inefficiencies, reduce waste, and inventory costs, while staying on top of trends.

Leadership and management

Soko has three founders, two of which are still in the company. The management team is distributed between the United States and Nairobi, and management meets over Skype and in person. A board oversees Soko’s strategic directions.

• Ella Peinovich, Soko’s CEO until 2017, is a graduate of MIT and has worked in social enterprises in and around the slums of Nairobi for the past four years. With experience in systems design and a desire to
improve women’s autonomy in a sustainable manner, Peinovich is one of the chief visionaries and designers of Soko.

• Gwendolyn Floyd is Soko’s creative director and is an internationally recognized expert in mobile technology for development. Floyd is a venture-backed serial social entrepreneur and designer. She is a founder of four companies and has 15 years’ experience leading teams and projects at the intersection of design, technology, and international development.

• Catherine Mahugu is one of Soko’s founders and has set up Soko’s scalable and appropriate ICT solutions for entrepreneurs. She left Soko’s day-to-day management in the first half of 2017.

• In 2017, several new managers were appointed after an equity fund injected another US$1.3 million into the company.

Company and artisan financing

Soko used different private, mostly equity funding, sources along its growth path. In 2012, Soko participated in business plan competitions and won an impact grant from Microsoft. It also participated in the start-up launchpad DEMO Africa. In May 2013, Soko received US$700,000 as its first equity investment from the Rio Venture Fund based in Dubai and from other angel investors (Heilbron 2013). At that time, Soko was an e-commerce marketplace that enabled Africa’s talented artisans to post and to sell their products online. Soko then revised its business model and focused on selling jewelry from Kenya but designed by Soko. In April 2015 and October 2016, Soko had two more rounds of venture investments, US$700,000 and US$1.24 million, respectively.

For production of high-volume export orders, Soko provides an upfront payment to artisans that enables the artisans to buy inputs. Soko-affiliated artisans also retain between 25 and 35 percent of product revenue, which is five times higher than typical margins (Burritt 2017). In some instances, Soko has provided asset financing for small production machinery through its partners, which the artisans repay through reductions in their payments on future orders. Soko has been seeking external partners to expand those loans to artisans. All Soko’s artisans receive a free android application to track orders and payments, as well as quality benchmarking data. Using the application increases Soko’s and its artisans’ efficiency and certainty about income and accountability.

To serve its ethical and impact financing shareholders, Soko electronically tracks the amount of revenue and production volume that it contributes to the artisan community in Kenya, as well as the number of men and women artisans it works with. This information is captured in Soko’s impact dashboard and is accessible to all employees, artisans, and investors. Soko’s data platform tracks the number and amount of every payment it makes to artisans. Each quarter Soko produces a report on its progress against its social targets and growth in impact by quarter and by year. Soko presents those results internally, as well as to its external shareholders. The reports show examples of how with increased revenue and access to loans, Soko’s artisans can enlarge their workshops, take on new customers, and build sustainable businesses.

Participation of artisans, human resources, and community engagement

Soko has 70 highly educated direct employees and works with more than 2,500 artisans in Nairobi’s slums. Staff includes management and supervisors; IT engineers; personnel in quality control, product finishing, labeling, packaging, designers, marketing, and administration; and other staff members (see figure 3.2). The education level of Soko’s staff ranges from university degrees to diplomas.

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34. Soko won the impact grant through a business plan competition of the University of Washington’s Foster School of Business Global Social Entrepreneurship Competition. (Burritt 2017).
Most artisans stay with Soko in its nonexclusive network as they continuously learn new product design, keep their skills updated, and receive operating capital financing. Soko says its artisans retain 25 percent to 35 percent of revenues compared to an industry standard of 2 percent to 3 percent. The cumulative income to artisans has so far been more than US$1 million with more than 250,000 products sold.36

Inclusion and Empowerment

Of Soko’s artisans, 84 percent are women from poor backgrounds, mostly from the biggest slum in Nairobi, Kibera. Soko’s community outreach staff gives its independent entrepreneurs specific quality control training, and Soko’s app allows artisans to instantly view their individual rankings for sales volumes, as well as rejection rates benchmarked to their peers.

Soko links its artisans to lending platforms such as Kiva Zip. For example, Veronica Rachiedo is a Soko necklace artisan entrepreneur from the Nairobi slum of Kibera. Veronica’s specialties are necklaces of camel and cow bones. Veronica took out her first Kiva Zip loan in 2013 to buy a smart phone that enabled her to take product photos and to download the Soko app. Her second loan, in 2014, enabled her to buy a third machine that processes bones for her necklace production. In the next years, Veronica plans to enlarge her workshop as well as her showroom.37

Marketing and Output Logistics

Soko’s marketing activities consist of a continuously updated website, an active Instagram presence, participation in U.S., European, and Asian fashion and home accessories trade shows, and branding through women fashion magazines and a small flagship store in San Francisco. Soko’s retail clients are Nordstrom, Anthropologie, Fossil, Michael Stars, Zady, Reformation, and Stitch Fix. Soko sells retail online mostly before the Christmas season, while the remainder of the year it sells to whole sellers based on orders, representing about 60 percent of total sales. Style magazines such as Vogue, Glamour, and Marie Claire and the digital company Refinery 29 featured Soko’s jewelry.


Artisans d’Angkor is a Cambodian fashion and home accessories company producing and exporting handmade silk scarfs and stone-carved, wood-carved, lacquered, and painted decorative items. Artisans d’Angkor targets the tourist market, which drove Artisans d’Angkor’s high-growth trajectory. A small part of revenues is generated by decorating hotel and public spaces in Siem Reap and in Phnom Penh. An example is a traditional stone fountain for the Phnom Penh International Airport.

Artisans d’Angkor’s vision statement is “Caring for the past, crafting for the future”; its mission statement is “Proud of our Angkorian heritage, we believe that transmitting traditions to our people and developing their talent will empower them to create opportunities for a better life.” Figure 3.3. depicts Artisans d’Angkor’s company milestones.

### Figure 3.3: Artisans d’Angkor’s Trajectory

Artisans d’Angkor started in 1992 with a French donor-sponsored vocational training project called “Les Chantiers-Ecoles de Formation Professionnelle” (CEFP) that provided professional skills to rural communities with limited educational opportunities. In 2003, with support of AFD, Artisans d’Angkor became an autonomous and semipublic Cambodian company. As of June 2016, the company employs 1,096 people of whom 736 are craftsmen and craftswomen working in 48 different workshops in the Siem Reap province.

Between 1998 and 2001, a European Union program, REPLIC, provided financial support to create a project called Artisans d’Angkor to be a workplace for the young Cambodians trained by CEFP in the handicraft sector.

In its hub and spokes model, Artisans d’Angkor is training and employing rural population to produce traditional-modern products and services for the tourism market. Its products are sold to tourists in Cambodia, mostly through retail stores. Artisans d’Angkor also provides interior design services for commercial, residential, and public spaces. Annual sales are more than US$5 million.

**Source:** WBG team’s firm surveys.
Artisans d’Angkor designs its high-quality, handmade products for the international tourist market in its design and R&D department with 34 staff members under the leadership of the artistic director. With feedback from the sales and marketing department, R&D creates product prototypes to be approved by a product committee consisting of the artistic director, the sales and marketing director, the production director, the general secretary, and the CEO. Artisans d’Angkor’s products are silk scarfs, ceramics, and carved statues from lacquered wood or stone representing well-known characters of the Buddhism or Hinduism mythologies, mostly for the tourist market. Lacquerware and polychrome products are often gilded with copper or golden leaves. Production of silk products makes up half of the company’s business. The other half comprises silver plating, wood carving, and stone carving.

Artisans d’Angkor also provides interior design services mostly for large spaces such as hotels and large residential buildings in fast-growing urban areas in Siem Reap and Phnom Penh, Cambodia’s capital. Those services still represent less than 10 percent of Artisans d’Angkor’s revenues. In 2016, Artisans d’Angkor introduced in-depth artisan cultural experience packages where tourists can visit the workshops.

All of Artisans d’Angkor’s products are produced in the 48 company workshops in Siem Reap province that perform all production functions using inputs and materials purchased centrally by the company. Each workshop has its own team of about 20 employees. Most workshops are in rural areas within a radius of 15 to 20 kilometers of the company’s head office in the city of Siem Reap. Apart from the 736 artisans directly employed by the company, Artisans d’Angkor subcontracts with independent artisans through intermediaries; those independent artisans produce small souvenirs in a lower price range. They are contracted per order and paid per piece. Artisans d’Angkor’s artisans use very little technology in production. Artisans d’Angkor imports silk thread from China and weaves its own silk fabric. The company purchases stone and wood from small local individual suppliers and uses sandstone—soft and easy to curve—for stone carving. To comply with health and environmental regulations and to protect their workers from harmful effects, the company purchases dye products from Western Europe (mostly France and Germany).

The company has a quality control department that conducts regular quality control during the production and at final product inspection. The quality control staff consists of 61 people representing 6 percent of the workforce; another 46 staff members (4 percent) are in supervision and management.

**Leadership and management**

- Artisans d’Angkor is a well-managed, medium-size company with a mix of public and private—including employee—ownership. Currently, 50 percent of the company’s equity is privately owned by a Cambodian individual and Cambodia Airport, a private company registered in Cambodia with French and Malaysian shareholders. The Cambodian government owns 30 percent, and employee artisans (600 of the 1,100 employees) own 20 percent through the workers’ association.
Figure 3.4: Distribution of Artisans d’Angkor’s employees

By department

- Artisans
- Marketing and sales
- Quality control
- Info technology, human resources, others
- Production supervision and management
- Design
- Logistics

By age

- 18 – 20
- 21 – 30
- 31 – 40
- 41 – 50
- >50

By gender

- Male: 40%
- Female: 60%

Source: WBG team’s firm surveys.

• The company is governed by the shareholder meeting and a board of nine directors. A shareholders meeting is convened yearly to decide on strategic issues in finance, marketing, human resources, and management. The shareholders elect nine board members. The board of directors oversees the implementation of strategic decisions in the day-to-day business. The shareholders select the CEO, who is assisted by a secretary general who oversees the supply chain management and finance functions.

Company and artisans financing

In 2015, Artisans d’Angkor had revenues above US$5 million. This growth was financed by different instruments. The EU REPLIC program established “Artisans d’Angkor” as a project and provided technical assistance between 1998 and 2001. In 2003, Artisans d’Angkor incorporated as an autonomous and semipublic Cambodian company and in the same year it received a loan from the Cambodian Ministry of Finance, which had converted a grant from the AFD into the loan. Artisans d’Angkor further took on a bank loan to finance the purchase the land of Artisans d’Angkor’s main company site. The company’s later investments have been financed by retained earnings. Currently, 50 percent of the company’s equity is owned privately by a Cambodian individual and a private company, Cambodia Airports, registered in Cambodia, with French and Malaysian shareholders; 30 percent is owned by the government; and 20 percent is owned by the company’s employee and artisans through the workers’ association.

Participation of Artisans, Human Resources, and Community Engagement

Most of Artisans d’Angkor’s 1,096 employees—67 percent—are artisans (see figure 3.4). The workforce is young with 84 percent of all workers between ages 20 and 40. The marketing and sales department employs 12 percent of the staff, six percent work in quality control, four percent in supervision, and management, and three percent of employees work in design. The remaining seven percent work in administrative and other positions such as IT, logistics, and human resources.

From inception, the artisans have been paid according to their monthly production, yet since July 2017 Artisans d’Angkor’s 736 arti-
Artsans are paid a fixed salary. The company provides a higher salary than the average wages in the sector and provides its employees access to company-owned clinics and to medication for common diseases. Case by case, Artsans d’Angkor helps its artisans if serious medical treatment is needed and with reconstruction of houses damaged by flooding or storms.

Artsans d’Angkor has a program for talent acquisition and is running extensive, continuous training programs for its artisans in the decentralized workshops. Those programs guarantee Artsans d’Angkor’s continuous supply of high-quality product and service and a high worker retention rate. At the start of an artisan’s career, Artsans d’Angkor offers a free six to nine-month apprentice program to area people ages 18 to 25, in keeping with the company’s tradition of professional training schools for the local population. During the training period, artisans receive compensation. The trainees learn skills and techniques in silk weaving, wood and stone carving, making ceramics and jewelry, silk painting, gilding, and lacquer or silver plating. Although the number of workshops increases costs of logistics and supervision, Artsans d’Angkor maintains its presence in rural areas so that their employees can live in their usual environment.

Inclusion and empowerment

Sixty percent of Artsans d’Angkor employees are women. Most live in rural settings where the Artsans d’Angkor workshops have ongoingly developed young women and men into technical professionals. Thus, investments in the rural workshops prevents further migration of young women and men to the cities and contributes to the development of the respective communities. Besides the free technical training for the rural youth, the workshops are accompanied by health and child care centers, with Artsans d’Angkor subsidizing the child care personnel. An example of the effect of the services is expressed by Sanam Kong, a lacquer artisan: “I was hired by Artsans d’Angkor on three key criteria: motivation, dexterity, but also geographical proximity with the workshops. Living five minutes away from my workplace allows me to spend more time with my 5-month-old son. It also allows our family to make significant savings, given the limited transportation.”

To mitigate the negative impacts of repetitive movements in weaving, in 2018, Artsans d’Angkor hired a physiotherapist to provide well-being training for all its 211 female silk weavers. To reinforce the positive results of the trainings, Artsans d’Angkor is testing a prototype of a newly designed ergonomic chair for its weavers, replacing the existing benches that weavers sit on at the looms.

Marketing and output logistics

Artsans d’Angkor has a big marketing and sales team with 129 employees. The company sells its products almost exclusively to tourists in Cambodia through its six retail stores in the tourist areas in Siem Reap, in one boutique, and in a concept store in the luxury hotel Sofitel Phnom Penh Phokeethra, as well as through distributors’ stores. About five percent of its products are sold online.

The company also has demonstration workshops located in two of Artsans d’Angkor retail stores where tourists can experience and follow the production process. Product design has been aimed at this market with products like scarfs and replicas of the country’s temple monuments in sizes easy to transport.

In addition to gaining more domestic markets, the company aims to gain access to the U.S. and European fashion and home accessories markets.

Emilime Vision and overview

Emilime distributes and produces seasonal knitwear fashion and fashion accessories by its network of Peruvian artisan groups. Emilime’s mission is to “empower a network of artisan partners both as creative contributors and as business leaders.” Emilime’s products are woollen mittens, scarfs, hats, and so forth made from alpaca fiber, Andean sheep wool, and some acrylic fiber. Emilime is working with up to 150 artisan knitters in Peru versed in the various techniques. The products are knitted as well as produced by manual knitting machines and by loom weaving and embroidery.

Operations

Emily Green, the founder and owner of Emilime, is also Emilime’s creative director and leads the design team in which artisans play an active part. Emilime’s designs are inspired by industry trends, as well as by the natural materials used in the production. It uses the alpaca fiber, which is known as “the fiber of the Gods,” because it was used to make clothing for local royalty. The alpaca fiber is “soft, harbors amazing insulating qualities, allows for breathability, and is known worldwide for its strength, durability, and hypoallergenic qualities. From the small farms throughout the Peruvian highlands where the fleece is shorn, the fiber goes to Arequipa where it is sorted, cleaned, and spun into

Emilime also uses sheep wool, which has a similar production cycle to alpaca fiber. It often mixes alpaca fiber and sheep wool to create innovative patterns and varying textures. Emilime works with two alpaca yarn providers, Inca Tops and Michell Group, both of which have operations in Arequipa.

In 2015, Emilime introduced the knitters’ design competition for which artisans compete by producing innovative swatches after attending a presentation on the season’s fashion trends by the design team. Once the winning swatches are selected, prototype production begins with the design team working with the artisan leaders on product design and material. Selected prototypes then form a collection that is presented at the January trade show in New York. After orders arrive, the product goes into production. In addition to finding unique designs, the design competitions create a space for knitters to explore their creativity by offering them exposure to global trends and to support the artisan leaders in organizing their groups of knitters, while discovering new talents and building community.

Emilime Peru handles input logistics for raw material, distribution of input material for production among its 150 artisans, quality control, and output logistics. Once the retailers place their orders, Emilime buys yarn in bulk from Peruvian yarn manufacturers. Emilime staff members inspect the yarn for quality and then calculate and distribute the yarn to the network of artisans. The yarn costs are prefinanced and subtracted from the artisan leaders’ income for final products. Emilime’s team creates the products’ technical specifications and assigns specific styles depending on the artisan leader’s capacity and specialty.

Artisan leaders, formally registered businesses, manage a group of 1 to 13 artisans of which 90 percent are women with different groups mastering different knitting techniques. Using the product specification information, the leaders train their respective groups of knitters and prepare for large quantity production of each style. Buyers can access the status of their order via an order tracking system. Output quality control is then again performed by Emilime’s quality control staff members and external auditors. To perform input quality control and quality control of outputs and packaging, Emilime hires additional seasonal contractors at production start in March and at the shipping phase in September and October.

**Leadership and management**

Emily Green is the founder and creative director of Emilime. Green brings with her nine years of experience living and working in Peru. Green has an MBA and is passionate about the renewable materials, the anthropology of design, and the product development inspired by traditional techniques. Her leadership and relationships within the textile community are the heart of the company’s team.

Green’s own empowerment and leadership lies to a large part in knowing herself. She shares in a recent blog article, “I took a really big risk moving to a foreign country where I didn’t know anyone and investing all my savings into a business I knew little about. I didn’t have the skills needed to be able to run the business when I started, but I taught myself everything and learned a lot of hard lessons. Through these experiences, I have become really confident in my abilities and I also know where I am lacking. Knowing yourself this well allows you to make smart decisions on how you spend your time and how you choose to grow the business” (Emilime Blog 2018).

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Green transfers those lessons into the mentoring and training she provides to staff members and artisans leaders. Sulla, head of quality control at Emilime, says: “We offer our leaders training in order to become better at managing their teams, and our Community Development Project is set up to bring in experts in areas such as leadership and psychology to speak with all the artisans (...) this type of support is what makes Emilime unique” (Emilime Blog 2017).

Artisans and company finance

Emilime became profitable in 2015 with Emilime’s annual revenues between US$400,000 and US$500,000. The start-up phase was financed by the founder’s own funds. Emilime finances the artisans’ input materials equating it to a buyer’s credit. Emilime itself receives buyer’s credit of 30 to 45 percent upon order placement and order confirmation. Emilime pays artisans as soon as the products are delivered. Orders fulfilled by Emilime are fully paid by the buyers upon receiving the shipment.

Participation of artisans, human resources, and community engagement

During production, Emilime works with up to 150 artisans across Peru, of which 60 percent are women. Emilime’s production involves working with artisans leaders who have registered businesses. These leaders in turn work with a multitude of knitters who are located in Lima, Puno, and Junin. The artisan leaders ensure adherence to deadlines, collection of products, quality, and payment. Emilime’s five employees cover the functions of marketing and sales, quality control, management, design, and administrative functions (see figure 3.6). Furthermore, the company hires consultants regularly for ongoing needs, such as IT and digital media functions. Accounting is also handled by an external professional.

Deeply committed to collaboration in Emilime’s design process, the company works side by side with the artisans by developing swatches, making samples, and producing the final product. The process begins with a meeting with each of the artisan leaders in Emilime’s network to learn what materials and techniques could be applied to a specific design for the upcoming season. The designs then are adapted based on the creative and technical input of the artisans.

Emilime offers formal training and mentoring in collaborative design, market research and trends, creativity, leadership, communication, human resources, and finance, especially for artisan leaders.46

Emilime’s Community Partnership Program, which is funded by 10 percent of Emilime’s 46 See Emilime. https://shopemilime.com/pages/about-us accessed on November 12, 2018.
proceeds, offers also trainings to artisans in themes related to health.

Through the company’s supply chain, Emilime also helps communities that produce alpaca and sheep wool in the Peruvian highlands.

**Inclusion and empowerment**

Emilime’s values are investing in long-term relationships, innovation, and education. Realizing these values, Emilime is mentoring its “partners throughout the entire process, from design to product development to production and finally quality control, supporting them in the successful management of their team.”47 Many artisan leaders have formalized their businesses, collaborated with peers, and developed lasting relationships through this process.48 For Emilime Green and her management team, every interaction with artisans and suppliers is a way to transmit skills, standards, and motivation. “You have to know how to communicate with your team, no matter who they are. It’s important to have been trained on how to treat and speak with people so that you can work together effectively,” says Claudio Sulla, Emilime’s head of quality control (Emilime Blog 2017)

Many artisans Emilime works with use knitting as a supplementary income. The flexible working hours of the knitters enhances their other activities: providing child care, running small shops, and so forth. The artisans can choose when and where they knit and how many pieces they want to take on.

**Marketing and output logistics**

Emilime’s key customers are large retailers throughout the United States such as Anthropology, Nordstrom, and Urban Outfitters. Emilime also sells online, to many independent stores, and through a network of sales representatives in the United States. Emilime markets products through international trade shows and online sales.

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Selyn, incorporated in 1991, started to work with 15 women in the village of Wanduragala in Kurunegala, Sri Lanka. In 1995, USAID through the Technology Initiative for the Private Sector (TIPS) project helped Selyn participate in the New York Trade Fair. In 2002, Selyn received the Fairtrade Certification Mark and is the only Sri Lankan company that has completed the WTFO Guarantee System, which opened new networks and buyers in Europe. In 2007, Selyn opened the Colombo and Negombo Selyn-branded stores.

Selyn grew steadily to a medium-size company with early orders from a Japanese buyer—despite Selyn’s capacity constraints. Selyn employs 273 people in its factories and has 541 artisans in its network. Selyn’s annual revenues are around US$1 million; for 2014-2015 Selyn experienced a decrease in revenues.

Source: WBG creative team’s firm surveys.

Selyn

Vision and overview
Selyn is both a manufacturing company and wholesale company for artisan products (toys, jewelry, fashion accessories, fabric) in Sri Lanka, and it is Sri Lanka’s only handloom fabric exporter that has completed the WTFO Guarantee System. Selyn’s mission is “to be a law abiding company based on Fairtrade principles, with an aim to enhance customer and employee satisfaction and retain market leadership.” Figure 3.7. shows Selyn’s milestones.

Operations
Selyn’s product designs change regularly according to customer feedback and the introduction of advanced production technologies. Two in-house designers develop new products and structure them around different collections, ranging from five to six collections per

year. The artisans are not involved in design and, at times, are reluctant to change product designs.

For the toys collection, Selyn collaborates with a well-known designer among fair traders and manufacturers. Selyn produces mainly handloom fabric and apparel items made from handloom fabric. Selyn’s four product lines are (a) traditional handloom fabric; (b) apparel and fashion accessories such as traditional saris, blouses, kurtas, sarongs, and shirts for women, men, and children; (c) a home décor collection ranging from cushion covers to table and bed linen; and (d) a toy collection. Those four product lines are sold mainly for wholesale export and for local retail.

Selyn’s products are made mostly of cotton with imported yarn from India. Selyn’s dyes and chemicals come from German and Swiss suppliers, and other raw materials come from various suppliers in the local market. In its production process, Selyn uses processes such as machine dyeing, machine yarn processing, hand and machine weaving, cutting, filling, stitching, and embroidery stitching, as well as manual and laser cutting.

Inspecting final products and packing the products are done manually by the quality control staff representing three percent of total staff. Selyn works with 198 artisans in a central workshop and with a network of 541 artisans organized in 16 company-owned workshops, home working units, and neighborhood groups. The workshop owners produce exclusively for Selyn. The relationship with non-employed artisans is based on orders, with fixed deadlines and 50 percent advance payments. When working with the workshops and the home-based artisans, Selyn distributes the yarn to the artisans and gives the artisans a 60-day credit or advance.

The artisan workshops and numerous home workshops are located in Kurunegala in Sri Lanka’s northwest, in the Northeast, and the Northern regions. Workshops in Kurunegala are incorporated into the company’s quality control system of the main plants. Selyn provides the workshop leaders with information, technical specifications, and regulations needed to maintain high-quality standards. Organized artisans’ groups outside of Kurunegala receive the specifications and all necessary production information and are provided with skills development trainings to maintain the company’s standards (see also the next section).

Leadership and management

Selyn Exporters Ltd is a private limited company with a strong social business orientation founded by Sandra Wanduragala, who is also the chairperson of the company. Its core values are based in the social enterprise model and in the fair-trade systems embedded in Selyn’s procedures and processes. Wanduragala and Selyn have received numerous awards over the years.

Wanduragala studied civil law and worked as an attorney. She also has experience as a co-founder and managing director at the Royal International School in Kurunegala. In 1998, she gave up her job as attorney and engaged herself fully into the business. Wanduragala’s younger brother joined Selyn as managing director in 1993.

Selyn’s governing body—Think Tank—makes strategic decisions and includes seven permanent members from Selyn’s management team: the chair, managing director, business development director, head of administration and maintenance, head of production operation, accountant manager, and the human resources and administration manager.

Wanduragala’s daughter, Selyna, entered the business in 2011 as business development director and introduced organization and systems, including policies and procedures, such as organizing departments, feedback systems, and marketing instruments that

50. Sri Kannapiran Mills Limited in Coimbatore, India.
communicated Selyn’s story on websites, Technology, education, design (TED) talks, and labels.

**Financing of company and financing of artisans**

Originally financed with the founder’s own funds in 1991, Selyn has used bank loans to finance investments since year three of operations. In the meantime, Selyn developed its know-how about international markets with the help of USAID. Continuous upgrades to technology were introduced and financed by bank loans. Another milestone targeted was small donor grants: the founder’s two trips in 1995 and 1996 to the U.S. toy fair were financed by the USAID TIPS program and thus helped open U.S. and French buyer orders for soft toys. “After the international trips, the business began to grow. The original 5 workers became 50” (Nathan Associates, J.E. Austin Association 2006).

With an annual turnover ranging between US$1 million and US$1.5 million, Selyn’s profitability has been decreasing since 2008. Selyn’s growth path was steady beginning in 1991, and all earnings were reinvested into the business. Revenue margins range from US$250,000 and US$500,000 per year. Yet, Selyn’s sales were hit beginning with the 2008 global financial crisis, and despite the end of the ethnic civil war in Sri Lanka and the opening of the tourism market in 2009, growth rates have been negative for 2014 and 2015 (~3 percent).

Selyn finances production in the company-owned workshops and for home-based workers through various ways. Selyn provides yarn to the workshop managers and independent artisans with a 60-day interest-free loan. Selyn also pays 50 percent advance payments on orders. In addition, it makes available 1 percent interest rate loans to artisans who want to expand their activities.

**Participation of Artisans, Human Resources, and Community Engagement**

Selyn has 273 full-time salaried employees and an outsourced network of 541 artisans. Artisans represent 73 percent of all employees. The employees are distributed in artisans, management and supervision, sales and marketing, operations, human resources, quality control, and IT (see figure 3.8). Selyn’s employees and artisans mostly have a secondary education.
Selyn has established more than 20 workshops in handloom villages in the rural outskirts of the northwestern, eastern, and southern provinces of Sri Lanka and, in 2004, started its hand-weaving apprenticeship program for young women. The apprenticeship for about 15 to 20 young women lasts six months. This model is artisan focused rather than headquarters based and derives from the philosophy that artisans can reach the workshops within a short distance, thereby allowing them to balance work with family and community.

Selyn provides artisans with technical skills trainings, fair-trade awareness and leadership training, and entrepreneurial development for artisans. At times, it provides special technical or methodological support according to the needs and requirements of the artisans.

**Inclusion and empowerment**

Selyn's outsourced artisans, 97 percent of whom are women, are key to its production network. To create incentives for the artisans, Selyn provides training and social services such as child day care centers at some of the workshops. Selyn also provides training on health and female health care, domestic violence, and alcoholism. Importantly, the company collects and keeps track of information about artisans’ skills and demographic data including family data.

One of Selyn’s artisans is Priyanka Kumari. She grew up in rural Sri Lanka to parents working in agriculture. Her brother and sister left the village to find other sources of income, and both joined the military. Kumari could pursue studying; yet because of unsatisfactory grades, she did not continue advanced studies in arts and, instead, became a mill operator in Asian Cotton Mills in the capital Colombo. Yet all her money was spent on necessities. After the factory closed, she returned to the village. There she entered Selyn’s apprenticeship, engaged in on-the-job training, and has now become a competent hand weaver (Nathan Associates, J.E. Austin Association 2006).

Another artisan is Chandra Kumari. She began her handloom career at the government-managed Salusala factory in Niyangoda, Galagedara, in Kandy District. After the factory closed, she joined Selyn at Wanduragala, Kurunegala. After three years with Selyn, in November 2005, she proposed to run a handloom workshop at her home. Selyn agreed to build Kumari a mini workshop on her land, close to her home, and she provided 15 handloom machines. “She is happy with this new arrangement and expects to expand the workshop and employ more unemployed youth in the village”. (Nathan Associates, J.E. Austin Association 2006). Kumari is paid through a commission from the workshop’s output, and she pays rent to Selyn for using the workshop.

**Marketing and output logistics**

Selyn sells 60 percent of its products in the local market and 40 percent in international markets through international trade fairs. Selyn also sells to distributors and other retailers. In the local market, Selyn markets its product through the five stores it owns around the country. The main customers of the stores are married females from ages 25 to 55 and tourists.

In international markets, Selyn acquires its clients by participating in international trade fairs. Selyn’s international sales focus on the European market—especially in France, Germany, Sweden, and the United Kingdom—and on the Asian market—especially in Japan and the Republic of Korea. The peak sales seasons are around December, in April and May, and in August.

In Selyn, the marketing effort represents only a small proportion—around 10 percent—of the total production cost, and 27 employees are working in the marketing and sales department. Selyn markets its products mostly offline through showrooms, craft fairs, catalogues, and advertising campaigns in local magazines, but it also sells online stores.
Figure 3.9: Anou’s Trajectory

Anou was founded in 2012 and has been operating since 2013.

Average sales growth rates between 2014 and 2017 were 93 percent.

Artisans have always received 80 percent of revenues.

The 2015 revenues were US$250,000 to US$500,000.

Anou

Vision and overview

The Anou cooperative is an online marketplace for handmade home and fashion accessories goods from rural Morocco. The cooperative is owned by the artisan members living and working in rural areas of Morocco. Products are mainly wool rugs produced by handlooms and, to a smaller degree, fashion and home accessories. Anou’s mission is to empower rural Moroccan artisans to lead their own product design and development to capture the largest share of the value chain. “Anou is a community of artisans working together to establish equal access to the free market.” Anou has recently partnered with Moroccan rug company Stitch on R&D for new natural materials and natural dye methods to produce trendy Sabra pillows. R&D is financed by a small portion of the sales proceed (Anou Blog 2018).

Operations

Anou mentors its 500 active artisans toward more contemporary designs and design thinking, as well as through IT tools. At its head-

MANAGING FOR GROWTH
quarters in Rabat, Morocco, Anou has a design studio to which it invites artisans to sketch and to develop new ideas. Artisan leaders and a part-time London-based designer also offer creativity workshops with artisans on rotations in which they guide the artisans through product and design development. To provide customers market-focused designs, Anou has worked with five designers so far. Once the artisans are ready to post a product on Anou’s online site, artisan leaders at headquarters review the description and photos, posted on Anou’s proprietary app. The artisan leaders provide visual feedback on price, photography, and desirability about each artisan product. In 2016, Anou piloted a design partnership with a U.K. retailer to increase order sizes. At times, artisans produce custom-designed rugs and interact with clients directly through sketches and visual feedback from the clients.

Anou produces mainly Moroccan designed and handmade rugs and other fashion and home accessories products inspired by Moroccan design, and it exports the products through online sales. Anou’s 500 artisans are organized in 70 cooperatives and associations or are individual artisans. The artisans receive about 80 percent of sales revenues with 20 percent withheld by Anou’s head office to cover its costs. Of Anou members’ production, 98 percent is sold internationally, mostly to the United States. Anou’s sales are one-unit sales, and about 13 percent of all orders are repeat orders. Anou keeps updated sales data for groups and individuals within groups (both online sales and offline sales) and data on the number of active members. Input materials are wool, wood, sabra, and metal (brass, copper) that artisans procure themselves.

Quality control of Anou’s products in 2017 has shifted from the artisans to the head office where artisan leaders are inspecting each order. Through the app, the head office team completes a simple form about the product. The form lists the type of error that occurred, such as measurement errors, color discrepancies, or others. This form and product photos are sent through the app to the affected customer, and the customer can accept the product as is or can reject and receive a refund. In case of rejection, the product is returned to the artisan. With this process, Anou is committed to provide on-the-job learning about quality to its artisans.

Leadership and management

Dan Driscoll is the founder and executive director of Anou, a cooperative run by a seven-member board. He worked as a Peace Corps volunteer in Morocco and has consulted with USAID. Anou’s board is presided over by the cooperative’s president. Decisions are made by the board and the executive director. The board’s membership is 50 percent female. The average education level of the Anou’s board is seventh grade.

The artisan director, the operations director, and the executive director, as well as artisan leaders, run Anou’s head office. Artisan leaders work in two- to four-week shifts at headquarters with two artisan leaders working at a time. Artisan leaders also act as artisan trainers. They are selected on their good track record of product delivery and learning. The artisan leaders are paid the equivalent of a local government employee.

Financing of company and financing of artisans

Self-financed Anou cooperative’s growth started in 2013 and progressed exponentially. For Anou’s start-up capital, the founder spent his own resources. Anou is reluctant to take on private capital so that it can maintain full control of the Anou artisan platform. Anou started to be profitable in 2014; in 2015, annual turnover was US$250,000 to US$500,000. Sales growth rates were 200 percent between 2014 and 2015 and 50 percent for 2015 and 2016.

Anou does not provide financing to artisans. At the time of order, customers pay Anou through services such as Stripe, PayPal, and TransferWise. Once the product is received by the customer, Anou transfers money from Anou’s bank account to the artisan’s individual bank account. Bank accounts are easy to set up in Morocco. Artisan businesses in Morocco are required to maintain a bank account. Anou
helps artisans set up bank accounts for those who do not have accounts. Advance payment for customs orders helps to provide a buffer for periods of negative cash flow.

Participation of artisans, human resources, and community engagement

Artisans’ earnings are about 80 percent of the sales revenues. This percentage is a high figure, considering artisans from emerging economies can earn as little as 4 percent of a product’s retail price. Further, artisans gain meaningful employment through working in Anou’s offices and activities.

Anou works with 500 active artisans and 900 active members from 70 cooperatives, associations, and individuals. To join the Anou community, an artisan trainer visits the artisan or the cooperative in his or her workshop and reviews the products in person for basic quality requirements. To be considered for training, artisans must (a) be the one who makes the products that he or she sells or be an official member of an artisan association or cooperative and (b) demonstrate a high level of motivation. The average level of education of all of Anou artisans is around seventh grade; many artisans have not completed elementary school.Inactive members are artisans who belong to a cooperative or association but are not working as artisans because of a lack of sales. Anou provides training to the member artisans, which consists of training in ICT, legal and regulatory requirements for artisans, basic marketing, photography, pricing, management, and product design. The training is free for artisans, takes place in their workshops, and is financed by a fee subtracted from each sale made.

During the photography training, artisans practice basic photography skills that emphasize the connection between the product, where it was made, and the person who made it. All pictures on the Anou online store are taken and uploaded by the artisans using their own cameras or camera phones.

Anou has three full-time employees, including the executive director, who is Anou’s founder; an expatriate technical director; and a director. Four Anou trainers work on the team part time. The average education level of the local team leaders is also seventh grade, and only one has graduated from high school (Anou Blog 2017). Artisan trainers provide design mentoring, quality control, and general operations assistance. The executive director works mostly on IT solutions. The technical director manages the artisan trainers’ team.

Inclusion and empowerment

Anou’s premise is to empower artisans and their resilient growth as entrepreneurs with free access to markets. Women make up 70 percent of Anou’s artisans. Dan Driscoll summarizes Anou’s vision: “Anou represents a fundamental shift in the fair-trade industry. Instead of asking how organizations can help, we ask how we can build a resilient community of artisans where outside help and fair-trade organizations are no longer needed.”55 Anou wants to help its artisans who used to sell their crafts through intermediaries from their home for much lower prices.

For example, artisan Halima Aissaoui is from Moulide. Born in 1976, she later relocated to Khenifra. A widow and mother of three children, Aissaoui completed third grade before learning the art of weaving from her mother and through vocational training. She joined the Tiglmamin cooperative to earn a living to maintain her home and to raise her children. Currently, she produces Sabra bamboo fiber pillows.56

Marketing and output logistics

Anou sells exclusively online without any active marketing. On Anou’s website, articles are tagged to specific artisans. Once an order is made, artisans ship their products from their villages to Anou’s head office through the postal services of DHL. There, artisan leaders inspect the shipment for quality and order specification and process the customs forms that Anou has automated.

### Table A1: Firms’ Rankings of the Business and Digital Environment and Aspects of the Innovation Ecosystem Affecting Firm Growth

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<th>LABOR, SKILLS, AND EDUCATION</th>
<th>EFFECT ON GROWTH</th>
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<tr>
<td>Availability of educated workers and employees</td>
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<tr>
<td>Availability of adequately educated artisans</td>
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<tr>
<td>Availability of skilled employees and workers</td>
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<td>Availability of basic technical artisans skills</td>
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<td>Women’s rights to work outside the home</td>
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<td>Other laws or customs affecting women or minority to work or be an entrepreneur</td>
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<td>Accreditation for in-house skills training</td>
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<th>ACCESS TO INFRASTRUCTURE</th>
<th>EFFECT ON GROWTH</th>
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<td>IT infrastructure, Internet connectivity</td>
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<td>Affordability of cell phones for artisans</td>
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<td>Affordability of internet connectivity for artisans</td>
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<td>Affordability of electricity prices</td>
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<td>Access to power</td>
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<th>ACCESS TO FINANCE</th>
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<td>Access to credit for company</td>
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<td>Foreign currency regime</td>
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<td>Availability of mobile money in areas where artisans are</td>
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<tr>
<th>TAXES AND DONOR/GOVERNMENT ASSISTANCE</th>
<th>EFFECT ON GROWTH</th>
</tr>
</thead>
<tbody>
<tr>
<td>VAT</td>
<td>*</td>
</tr>
<tr>
<td>Donor or gov. programs for firm’s exposure to external markets</td>
<td>**</td>
</tr>
<tr>
<td>Certification</td>
<td>*</td>
</tr>
<tr>
<td>Technical skills provisions at start of company</td>
<td>*</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>COMMUNICATION</th>
<th>EFFECT ON GROWTH</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social media</td>
<td>*</td>
</tr>
<tr>
<td>Launching competitions</td>
<td>*</td>
</tr>
<tr>
<td>Publicizing prices/awards</td>
<td>*</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>TRADE ACROSS BORDERS</th>
<th>EFFECT ON GROWTH</th>
</tr>
</thead>
<tbody>
<tr>
<td>Import regulations</td>
<td>*</td>
</tr>
<tr>
<td>Export regulations</td>
<td>*</td>
</tr>
<tr>
<td>Customs processing</td>
<td>*</td>
</tr>
<tr>
<td>E-commerce regulation</td>
<td>*</td>
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</table>

<table>
<thead>
<tr>
<th>CONFLICTS OR POLITICAL INTERFERENCES*</th>
<th>EFFECT ON GROWTH</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prior conflicts</td>
<td>**</td>
</tr>
<tr>
<td>Current conflicts</td>
<td>*</td>
</tr>
<tr>
<td>Political interference</td>
<td>*</td>
</tr>
</tbody>
</table>

* One company rating, * positive rating means there were no prior or are current conflict, or no political interference.

REFERENCES


post/i-can-acquire-important-skills-but-also-gain-the-big-picture-perspective-of-a-founder.


